FOREIGN
BROADCAST
INFORMATION
SERVICE

Daily Report

Supplement

Latin America

PARAGUAY:
Tax Reform Law No. 125/91

-LAT-92-048-S
lnesday
March 1992

Latin America
SUPPLEMENT
PARAGUAY:
Tax Reform Law No. 125/91

FBIS-LAT-92-048-S *11 Mar 1992*

CONTENTS

PY2902213092 Asuncion NOTICIAS in Spanish Special Supplement 10 Jan 92 pp 1-25

Book I—Tax on Revenues 1
Book II—Tax on Capital 9
Book III—Tax on Consumption 11
Book IV—Other Taxes 19
Book V—Dispositions for General Application 24
Book VI—Special Regulations on Delinquent Tax Debts 41

["Text" of Tax Reform Law 125/91 promulgated on 9 January 1992]

[Text]

Legislative Branch

Law 125/91

Establishing the New Tax System

The Paraguayan Congress Approves as Law

Book I—Tax on Revenues

Title 1—Income Tax

Article 1. Nature of the Tax

A tax is hereby established that will tax revenues of Paraguayan origin resulting from commercial or industrial activities, service activities, and agriculture. This tax will be called the "Income Tax."

Chapter I—Revenues From Nonpersonal Commercial and Industrial Activities and Services

Article 2. Taxable Activity

Revenues originating from commercial and industrial activities or nonpersonal services will pay taxes.

They are:

a) Revenues from the purchase or sale of properties when the activity is repeated as a matter of business, in accordance with the appropriate regulations.

b) Revenues from company assets and other revenues included in company books, except those mentioned in Chapter II of this title.

c) All revenues produced by commercial entities, with or without legal status, as well as by entities created abroad or their branches or agencies in the country. Revenues produced by agriculture activities mentioned in Chapter II of this title are excluded.

d) Revenues obtained from the following activities: mining, rabbit breeding, aviculture, apiculture, sericulture, pig breeding, floriculture, and forestry.

e) Revenues obtained by merchandise consignees.

f) Revenues obtained from the following activities:

- Repairing goods in general
- Carpentry
- Transportation of goods or people
- Insurance and reinsurance
- Brokerage activities
- Parking lots
- Security and related activities
- Renting and exhibiting movies
- Leasing of goods and rights
- Discotheques
- Hotels, motels, and related activities
- Assignment of the use of incorporeal goods such as brands, licenses, and privileges
- Leasing of real estate as long as the lessor owns more than one property. With respect to this clause, units or apartments that belong to properties that fall under the Civil Code and under Law No. 677 (Horizontal Property), dated 21 December 1960, will be regarded as separate real estate.
- Travel agencies
- Funeral parlors and related activities
- Washing, cleaning, and dying of clothing in general
- Advertising
- Construction, repair, and demolition.

Article 3. Contributors

The following will be regarded as contributors:

a) Single-owner companies, companies with or without legal status, associations, corporations, and all remaining private organizations, regardless their nature.

b) Public enterprises, autonomous enterprises, decentralized enterprises, and mixed economy enterprises.

c) Individuals living abroad or companies established abroad and their branches, agencies, or offices in the country. The main company must pay taxes on the net revenues that its branches, agencies, or offices remit or credit to it, regardless of the taxes paid by the branches, agencies, or offices themselves. All net revenues originating in branches, agencies, or offices in the country will be considered as credited by the end of the fiscal year.

The main company office abroad will pay taxes on taxable income [rentas gravadas] that is independently obtained.

Article 4. Single-Owner Company

Any productive unit belonging to a single individual that uses capital and labor, in any ratio, to obtain an economic result, except for companies providing personal services, will be considered a single-owner company. The capital or labor can be provided by the company or by someone else.

Individuals living in the country who perform activities mentioned in items a), d), e) and f) of Article 2, will be considered single-owner companies.

Article 5. Paraguayan Origin

Revenues originating from activities developed, assets located, or rights used for business purposes in the Republic, irregardless of the nationality, address, or residency of the individuals who participate in the operations or the location where contracts are closed, will be considered to be of Paraguayan origin. This article does not preclude other special dispositions, which are established hereafter.

Interest on titles and movable assets will be considered entirely of Paraguayan origin if the company issuing them is constituted or established in the Republic.

Technical assistance will be considered implemented on national territory when it is used in the country.

Concessions for the use of goods and rights will be considered of Paraguayan origin when they are used in the country, even if their use is partial during a contracted period.

International freight will be 50 percent of Paraguayan origin when it is contracted between Paraguay and Argentina, Bolivia, Brazil, and Uruguay, and 30 percent when it is contracted between Paraguay and all other countries.

Article 6. Beginning of Tax Obligation

Tax obligations will begin at the end of the fiscal year, which will coincide with the end of the calendar year.

The Tax Administration will be empowered to accept or establish the end of the fiscal year as the same time as the end of the economic year when accounting is carried out in accordance with generally accepted accounting practices and the law.

Revenues and spending will be calculated per fiscal year.

Article 7. Gross Income

The difference between total revenues from commercial or industrial operations or service activities and their costs will constitute gross income.

When the operations involve the sale of assets, the income will be calculated by total sales minus the purchase or production cost or, if applicable, its value on the date the asset became part of the entity's capital or the value given by the latest inventory.

The difference resulting from the total sale amount minus returns, bonuses, discounts, or other similar concepts routinely used in the market will be considered the net sale amount.

Gross income, among others, is also the following:

a) The proceeds of the sale of fixed capital assets. The gross income will be determined by calculating the difference between the asset's sale price and its cost, or its revaluated cost minus amortizations or admissible depreciations.

b) The proceeds of the sale of movable goods or properties received in payment of debts.

In the event that the assets are incorporated into the fixed capital, the criteria of the previous paragraph will apply.

c) The difference resulting from comparing the market sale price of assets awarded or given as payment to partners, shareholders, or other individuals and the fiscal value that is determined for the goods in accordance with norms included in this chapter.

d) The market price of assets of any nature that are taken out of the company for private use by an owner, partner, or shareholder—these operations must be registered—even when the assets are to be used for activities on which no taxes are paid.

e) The differences produced by foreign exchange operations in accordance with the appropriate regulations and Article 6.

f) The net profit derived from insurance and compensation payments in cases of large asset losses.

g) The result of the transfer of companies or shops in accordance with procedures established by the appropriate regulation. Such an act will imply the closing of the economic year.

h) Interest on loans or investments. In no case will such loans or investments generate interest rates that are lower than the average nominal rate paid in the previous month by banks on time deposits made for the same period of time.

The administration will publish that rate for each month of the fiscal year.

Private accounts of partners and salary advances to personnel as well as entities included under Law 417, dated 13 November 1973, and its amendments are excluded from this.

i) All company capital increases during the year, except those resulting from a revaluation of fixed capital assets, from capital contributions, or from tax-exempt activities or activities that are exempt from this tax.

Article 8. Net Income

Net income will be figured by deducting from the taxable gross income justifiable expenses incurred to obtain the income and to support the income-producing source, whenever these represent real expenses and are fully documented.

It will, therefore, be permissible to deduct:

a) Taxes and social security payments on the activity and assets and rights linked to the production of income, with the exception of Income Tax.

b) General expenses linked to the activity such as lighting, fuel, freight, telephone and communication expenses, publicity, insurance policies against risks inherent to the activity, office supplies and equipment, and maintenance of equipment.

c) Personal income such as: wages, salaries, commissions, allowances, and incentives for services whenever these are subject to Social Security Institute deductions, and pension and retirement funds established or accepted by the regulation.

Christmas bonus and paid vacations will be deductible in full.

The salaries of owners, partners, and directors are included. This resolution also applies to the spouse and relatives of the owner, partners, and directors.

d) Organization, establishment, and preparative expenses, under the terms and conditions established by the regulation.

e) Interest payments, rent, or franchising of goods and rights.

These allowances will be accepted whenever the owner of the property is liable for income tax on this income. This condition will not apply to the companies covered by Law 417 of 13 November 1973 and its amendments.

When the owner of the property is not liable for tax on the rent, it may be deducted under the terms and conditions established by the regulation.

f) Extra losses resulting from an act of God or force majeure, such as fire or other disasters, whenever they are not covered by insurance policies or indemnities.

g) Penalties on bad credits under the terms and conditions established in the regulation.

h) Losses resulting from crimes committed by third parties against the assets used to make taxable income under this law, unless they are covered by insurance policies or indemnities.

i) Decrease in value caused by wear, obsolescence, and fatigue under the terms and conditions established by the regulation.

j) Amortizations on intellectual property such as brands, patents, and privileges, whenever they represent a real investment or, as in the case of purchases, when the seller can be identified. The regulation establishes the method and conditions for calculating it.

k) Expenses abroad, whenever essential to obtain taxable income through export or import operations under the terms and conditions established by the regulation. In the case of transportation of people or goods, vehicular expenses will be accepted in accordance with the general principles of the tax.

l) Transportation, per diem, and other similar expenses, paid in cash or goods. The administration will establish the conditions and ceilings for deductibility in accordance with the activity.

m) Donations to the federal government, municipalities, recognized religious entities, and social, educational, cultural, and charitable organizations that have been previously and legally recognized by the administration. The executive branch will establish ceilings for the deductible amounts of said donations.

n) Percentage remunerations paid from net profits, whenever contribution on them are paid to the Social Security Institute and to legally recognized pension and retirement funds.

n) [spanish ene] Professional fees and other remunerations for personal services that do not pay income tax, within the limits and conditions established by the regulation on the type of activity.

o) Expenses and payments to personnel in concept of medical assistance, schooling, or cultural assistance whenever they are of a general character, as well as personnel training expenses under the terms and conditions established by the regulation.

p) An amount equivalent to the percentage referred to in item b) of Article 33 of Law 349/72, as established by the agricultural and livestock sector cooperatives. Deduction will be limited to up to 20 percent of the fiscal year's net income.

If after deducting these accepted allowances the net income becomes negative, the fiscal loss can be passed on to the net income of up to three following fiscal years, commencing with the fiscal year in which the fiscal loss occurred.

This resolution applies to fiscal losses occurring after this tax goes into force.

Article 9. Nondeductible Items

The following items will be considered nondeductible:

a) Interest paid on capital, loans, or any other investment by the owners, partners, or shareholders of the enterprise.

b) Fines paid for infringements of fiscal regulations.

c) Profits destined for increasing capital reserves.

d) Amortization of the enterprise's commercial value.

e) Personal expenses of the owners, partners, or shareholders, or amounts withdrawn as advances on profits.

f) Direct expenses incurred in obtaining income on which no taxes are paid. Indirect expenses will be proportionately deducted in the form and under conditions to be established by the administration.

g) Value-added tax (VAT), unless it is directly or indirectly linked to operations on which no VAT is paid—with the exception of exports.

Article 10. International Income

Foreign individuals or entities,whether or not they maintain branches, agencies, or establishments in the country—engaged in activities on which taxes are paid must specify their net income from Paraguayan sources following these criteria, which may not be invalidated by any type of evidence:

a) 10 percent of bonuses and other income resulting from insurance or reinsurance operations on risks within the country, exclusively or otherwise, or affecting goods or persons located or living in the country at the time the contract is signed.

b) 10 percent of the gross value of operations involving passenger tickets, phone calls, and other telecommunications services rendered from the country to foreign nations.

c) 15 percent of the gross remuneration received by international news agencies for services rendered to individuals using such services within the country.

d) 40 percent of the gross income of enterprises producing and distributing movie and television films, magnetic tapes, and any other similar means for the projection, transmission, or dissemination of image or sound.

e) 10 percent of the gross income of international cargo transportation operations.

f) 15 percent of the gross income of shipping containers agents.

g) 100 percent of income from other activities, whenever such income comes from branches, agencies, or facilities located in the country. In other cases, the net income shall be of 50 percent.

For the purpose of specifying the net income from the activities listed in paragraphs a), b), c), e) in connection with land transportation, the branches, agencies, or establishments owned by foreign individuals or entities, or other taxpayers based in the country, must use similar methods or may avail themselves of the general regulations of the tax. If the latter option is adopted, accounting records shall be kept, in keeping with the resolutions of the administration, and the final paragraph of Article 5 shall apply. Once a system has been adopted, it may not be changed for at least five years. Paragraph g) will not apply to taxpayers based in the country.

Article 11. Estimated Income

The administration will set an estimated net income for those who keep no accounting records. This estimate will be based, in general terms, on the basis of activities or business operations. Taxpayers engaged in activities for which it is difficult to keep accounting records that conform to standard practice may ask the administration for a system for establishing an estimated income. The administration will decide whether to grant such a request.

Article 12. Fixed Assets

Fixed assets will be considered like durable goods, both those in use and those allocated to third parties, with the exception of those for sale.

An annual reevaluation of fixed assets and their subsequent depreciation will be mandatory for tax purposes.

The new value will be obtained from applying the percentage of the variation of the consumer price index, obtained from the closure of the previous fiscal year up to the closure of the present one, in accordance with regulations established by the Central Bank or the appropriate official organization.

Article 13. Valuation of Inventory

Existing stock will be valued at production cost, or at the cost of purchase, or at the market cost on the last day of the fiscal year at the option of the tax payer.

The administration will accept other systems for evaluating inventories as long as they are adapted to the methods of the business, so long as they are uniform and do not create problems.

The accounting systems or methods, the formation of the inventory, and the procedures of valuation cannot be changed without the authorization of the administration. Differences resulting from the change of method will be computed in order to establish the net profit of the fiscal year as a result of the inventory adjustment at the closure of the fiscal year.

Notes, shares, securities, drafts or bonds will be computed according to their stock market value at the end of the fiscal year. If their value is not declared their value will be established by their purchase price.

Fixed assets and intangible property will be appraised according to their cost values under Article 12, which relates to the reevaluation of fixed assets.

When goods are purchased from activities which are not taxed under this chapter for their later sale or marketing, the declared value of these goods cannot be higher than their normal cost in the market at the time of their purchase.

Procedures established through regulations will be followed to asses the value of goods introduced into the

country or received in lieu of payment without an established price in Paraguayan currency.

Article 14. Exemptions

1) The following incomes are exempted:

a) Dividends and profits obtained by shareholders or partners in organizations that fall within this tax bracket. This exemption will not affect those taxes established in paragraph 2 and 3 of Article 20.

b) The interests of public debt notes issued by the state or by municipalities.

c) The exemptions established by Law 60 of 26 March 1991.

d) The interests on savings deposits, such as demand deposits, time deposits, deposit certificates or any other deposits in those organizations legally authorized to carry out these operations.

e) Interest on investments in drafts and promissory notes in the financial organizations of the country.

2) The following are exempted:

a) Recognized religious organizations for their income resulting from religious services and donations for religious activities.

b) Organizations mentioned in paragraph a) and those involved in social assistance, charity, scientific training, and literary, artistic, union, physical education, and sports activities. Also included in this exemption are associations, federations, foundations, corporations, legally recognized political parties, and other educational organizations recognized by the Education and Worship Ministry as long as they do not seek to make profit and as long as any surplus is not directly or indirectly distributed among their associates or members, but used for the purpose of the organization.

c) The payers of single taxes.

3) The following are temporarily exempted:

a) Legally recognized cooperatives which were established before the implementation of this tax but which are not included in paragraph c) relating to net income obtained in the two subsequent fiscal years.

b) Legally recognized cooperatives established after the implementation of this law relating to net income obtained in the five subsequent fiscal years.

c) Legally recognized cooperatives which were established before the implementation of this tax but after 1989, relating to net income obtained in the first five fiscal years from their creation.

Article 15. Reinvestment

Revenues earmarked for installing, expanding, or refurbishing fixed assets directly affected in the purchase of manufactured products, as well as those for forestation and reforestation of rural areas will be taxed at the rate of 10 percent and will not be subject to the withholding provided for in Paragraph 2 of Article 20.

The system established under this law dictates that used movable assets do not qualify as fixed capital assets for reinvestment purposes, except for those articles that have been imported because there is no locally produced equivalent.

When investment or forestation expenses are not implemented within the same fiscal year in which they were declared, the taxpayer will have until the end of the next to complete the project. In this case, profits will not be distributed. They will be placed in a reserve account and the capitalization can only take place when the project is complete.

Any surplus in the net income of the project can be used under the same terms and conditions in the subsequent project.

When declared forestation or reinvestment expenses are not satisfactorily completed within a previously established period or when the fixed assets or the reforested land are sold, either during the fiscal year during which the expenses were made or during the next four fiscal years, the tax statement will have to be revised and the difference repaid to compensate for the reduced rate applied to the taxable income. The taxpayer will also have to pay the respective fines, additional charges, and other penalties.

The set of rules established in this article is not an addition to those in Law 60/90 of 26 March 1991, or to any other similar set of rules. They establish the formal guidelines and conditions for those tax payers who qualify within this article.

Article 16. Importers and Exporters

It is presumed, unless proved otherwise, that the purchase price of imported assets will not be higher than the wholesale price of the same item in the place of origin, plus freight and insurance to Paraguay. If it is, the difference will represent an income and be subject to tax.

In the case of exports that have no set price or whose declared price is lower than the wholesale price in the country plus freight and insurance to the destination country, the latter will be taken as basis on which to establish the tax liability.

The nature of the assets and the method of operation will be taken into consideration.

Article 17. Branch Offices and Agencies

Branch offices, agencies, and people or organizations based abroad will determine the net income, taking as the basis their separate accounting.

The administration will make the necessary adjustments to establish the true profits of Paraguayan origin.

In the absence of sufficient accounting to reflect the net profit, the administration will estimate the figure.

Interest paid by branch offices, agencies, and the people from abroad, their capital, loans, or any other investment by their head office, other branch offices, or foreign agencies will be considered deductible expenditures as will remittances to the same offices in royalties and technical assistance, provided these deductions represent taxed profits for the beneficiary from abroad.

Article 18. Agro-Industries

Those engaged in agro-industrial activities and who use raw material and components coming from their own agricultural and livestock products must add, at cost, the value of these products in the industrial sector at a rate that does not exceed the price in the local market on the date of the entry of those goods.

Article 19. Transitory

The fiscal value of fixed assets declared in the balance to 31 December 1991 will be revalued if it was not carried out according to Law No. 31/90. The administration will set the terms, deadlines, and conditions of the revaluation. This amount will be subject to a special tax of one and a half percent and the devaluation of the 1991 exercise will be based on the new value.

The fiscal value thus established in the beginning of the first exercise, and taxed by the present law, will be revalued at its closure and the remainder devalued according to the provisions of Article 12.

Article 20. Rates

1) The general tax rate will be 30 percent.

2) The central office, located abroad, will have to pay the taxes on the fiscal utilities owed by its branch, agency, or offices in the country at the rate of 5 percent.

3) People and institutions located abroad, with or without branch, agency, or office, will determine the tax by applying the rates specified in numbers 1 and 2 on the incomes independently obtained from the above-mentioned agencies, branches, or offices. The rate will be 5 percent on income resulting from utilities or dividends included in number 1, paragraph a) of Article 14.

Article 21. Liquidation, Sworn Statements, and Payment

Taxes will be paid through a sworn statement in the manner laid down by the administration, which is empowered to establish the way in which tax payers and those responsible will submit and pay taxes.

Article 22. Documentation

In addition to the legal procedures and regulations applicable to the current taxes, the administration has established the required documentation for VAT.

Article 23. Advance Contribution

The administration is empowered to demand advance payments or to make withholdings during the fiscal year in advance of a payment that is due to be paid at the end of the fiscal year. This amount cannot surpass the total tax paid in the previous fiscal year. If the advance contribution does surpass the tax paid, the difference will be compensated or returned according to the conditions established by the administration.

Article 24. Exchange

Assets or services received in exchange operations will be valued according to established regulations.

Article 25. Special Systems

When, for reasons of practicality, characteristics of the market, or difficulties with controlling the situation, a simplified payment system is recommended, the executive branch will establish the appropriate procedure.

Chapter II—Incomes From Farming Activities

Article 26. Types of Income

Incomes from farming activities in national territory will be taxed under the rules established in this chapter.

Article 27. Farming Activities

Farming activities have the objective of producing primary products, vegetables or animals, through the use of the land such as:

a) breeding and fattening cattle

b) producing wool, leather, and bristle

c) farming, fruit, and vegetable production

d) milk production

This chapter also provides for the ownership of rural properties even if no activities are carried out there.

This chapter does not include activities related to handling, manufacturing processes, or treatment, except when they are carried out by the manufacturer himself to preserve the above-mentioned products. The activities established in Chapter I are not included in this chapter.

Article 28. Taxpayers

Taxpayers are:

a) Private individuals.

b) Companies with or without legal status.

c) Associations, corporations, and other private organizations.

d) Public enterprises, self-supported organizations, decentralized organizations, and mixed economy companies.

e) Individuals and companies established abroad with branches, agencies, or businesses in the country.

Article 29. Tax Obligations

Taxes are paid at the end of the fiscal year.

Article 30. Gross Income

The annual gross income will be estimated on the basis of 12 percent of the fiscal value of rural property of the taxpayer, irrespective of whether he is the owner, tenant, or possessor. Land exempt from taxes or involved in activities not covered in this chapter are excluded. In this case the gross income will be computed in proportion to the occupancy of the land during the fiscal year.

Gross income will be estimated in all cases whether the land was exploited or not.

The Land Survey Office will establish annually the fiscal value of rural properties, by zone, excluding buildings and facilities in accordance to the average prices prevailing on the internal market in the 12 months prior to 1 November of the closing fiscal year. The territory of the Republic will be divided into rural zones of similar characteristics.

Article 31. Net Income

In order to establish net income, the following deductions will be made from gross income:

a) 40 percent of the gross income for necessary expenditures related to purchase and maintenance. This will be 45 percent when the taxpayer does not own the property.

b) The VAT from the purchase of goods or services related to the agricultural activities affected by this tax.

Such deduction will be allowed if the amount is appropriately documented in accordance with the VAT and will be limited to 30 percent of the gross income of the fiscal year. All VAT paid in excess of 30 percent of the gross income can be used under the same conditions in subsequent fiscal years until it is all used.

c) The percentage on gross income established by the executive branch for the year in which, for natural causes, there were very large losses that were not covered by indemnity or insurance.

Article 32. Exemptions

a) Those who exploit under 20 hectares are exempted.

b) Land covered with natural or man made forests and permanent lagoons is exempted. The administration will establish the way to justify those conditions.

c) For units of up to 100 hectares, 20 hectares are exempted.

Article 33. Tax Rate

The tax rate will be 25 percent of the determined net income.

Article 34. Head of Activity

It will be presumed that the owner of rural real estate is the head of the presumed income, except when a third party carries out the taxable activity through a written contract, in accordance with laws.

Article 35. Fiscal Year

The fiscal year will coincide with the calendar year.

Article 36. Tax Calculation

The tax will be calculated based on sworn statements and will be paid in the manner, by the deadlines, and according to the conditions established by the administration.

Article 37. Opening and Closing

In cases when an activity is opened or closed during a fiscal year, the estimated income will be proportional to the period that the activity was performed during that year.

Article 38. Advance Payment

The administration will be empowered to require an advance payment in accordance with the terms and conditions established in Chapter I.

Article 39. Registration

The administration will be empowered to require that individuals operating in agriculture present documents on the sale of their products. This requirement can be gradually implemented according to the type of activity, product, or other production indicators.

Article 40. Publication

The administration will issue and publish an annual resolution establishing the fiscal value of each hectare for each rural zone. This value will be based on what is reported by the National Land Registration Service. This value will be in effect throughout the calendar year.

Article 41. Effect

The regulations established in Chapter II will take effect after the National Land Registration Service finishes studies permitting the calculation of the aforementioned values.

The administration will notify the executive branch when the calculations are completed. The executive branch will then ensure that the dispositions become

effective in the first fiscal year after notification or during the year of notification.

If the National Land Registration Service does not present the results of the study within 18 months of the day this law goes into effect, the executive branch will determine, in no more than six months, the fiscal value of the hectare of land based on official values in effect, the average market price, and other indicators relevant to the activity.

The domestic cattle trade tax will be abolished when this tax goes into effect.

Title 2—Single Tax

Article 42. Taxable Activity

A tax called the Single Tax is hereby created to tax incomes from commercial and industrial activities or services that are not personal.

Article 43. Taxpayers

This tax will be paid by single-owner companies based in the country when their income for the past calendar year does not exceed 20.4 million guaranies as provided for in Article 79 of this law. These taxpayers will be bound by the provisions of Article 79.

Single-owner companies are those considered as such by Article 4 of this law.

Article 44. Beginning of the Obligation

The tax will come due at the end of the fiscal year, which will coincide with the calendar year.

Article 45. Taxable Base

The taxable base is the gross income during the fiscal year, which will be estimated by adding indicators according to taxpayer categories under the terms and conditions established by the respective regulation.

In order to determine the estimated income, the following basic indicators, or some of them, will be used:

a) Salaries and daily wages.

b) Electricity, telephone, and water bills.

c) The amount of rent paid on the premises where the activity is performed.

d) The purchase of merchandise or raw materials or any other purchase or spending directly related to the activity.

A percentage will be added to these indicators for the estimated income. This percentage will be the one that is considered most representative of the activity or performance of the taxpayer.

The amounts of the indicators in the different taxpayer categories will be annual values corresponding to the year the tax report is made.

Article 46. Tax Rate

The tax rate will be 1-4 percent depending on the taxpayer categories.

Article 47. Payment

The tax will be paid annually and will be determined by applying the corresponding rate to the reported income for the fiscal year or to the presumed income, whichever is higher.

This amount could be subject to a deduction of 50 percent of the VAT affecting goods and services purchased during the fiscal year, which are for activities covered by this tax.

The amount to be deducted will not surpass the total amount of the tax that is paid.

The deduction will be accepted if the documents meet the conditions and requirements established in the VAT.

Article 48. Income Tax Exemption and VAT

Payers of the current tax are excluded from Chapter I on income tax and VAT.

Article 49. Sworn Statement and Payments

The administration will establish the manner and time at which the taxpayer must submit the sworn statement and the deadline for payment.

Article 50. Exempted Taxpayers

Those who are exempted from paying this tax one year will not be exempted for the four years following, during which time they will have to pay the VAT, irrespective of their income.

This article will be in force at the end of the third year after the current tax became operational.

Article 51. Documentation

The administration will establish the methods and special conditions for documenting operations according to the activities that are carried out. It will also demand that taxpayers use simplified ledgers.

Article 52. Initiation of Activities

Those who are starting a business will have to estimate their income from the date these activities begin until the end of the fiscal year. If the total amount of this income, in proportion with the year, does not surpass the one established for the previous calendar year, in keeping with what is established in Article 43, they will become payers of the current tax.

Article 53. Closures or Transfers

In the case of closures or transfers of enterprises, the tax will be paid at the moment in which any of the above-mentioned procedures takes place, at which time the fiscal year will be considered closed.

Book II—Tax on Capital

Only Title—Property Tax

Article 54. Taxable Fact

An annual tax is hereby created called the Property Tax, which will affect property located in national territory.

Article 55. Taxpayers

They are considered to be individuals, legal corporations, and entities in general.

When property is shared, the usufructuary must pay the tax.

In cases of inheritances, condominiums, and joint ownership of property by husband and wife, the property tax payment may be demanded of any of the inheritors, co-owners, or either husband or wife, without harming that individual's right to collect the tax share of the rest of the inheritors or co-owners.

The fact that a property may be under litigation does not exempt the owners from paying taxes on time.

Article 56. Beginning of the Tax Obligation

The obligation to pay the tax begins on the first day of every calendar year.

Article 57. Exemptions

The following owners will be exempted from paying the property tax and its addenda:

a) Public and municipal properties and whatever property the state or municipality may have been lent. The tax exemption is not valid for decentralized public entities that carry out commercial, industrial, agricultural, or financial activities or services.

b) Properties belonging to religious entities recognized by the government that are used for permanent public service, such as temples, public chapels, church offices, seminaries, parsonages and their annexes, as well as property meant for charity or free or paid teaching institutions.

c) Properties declared to be national historical monuments.

d) Properties of associations used by the public, such as hospitals, hospices, orphanages, health homes, and correctional institutions, as well as their offices and annexes, and establishments that provide free assistance or shelter to needy and disabled individuals.

e) Property belonging to foreign governments when they are used as headquarters for their diplomatic or consular representations.

f) Property used as social centers belonging to political parties or educational, cultural, social, sports, labor union, mutual aid, or charity institutions, including sports fields and installations used for social purposes.

g) Private property lent to the institutions included in Section b, including schools and libraries or headquarters of associations included in section e).

h) Property belonging to Chaco War veterans, handicapped individuals, and their wives or widows, as long as the property is inhabited by these individuals and as long as they comply with the conditions set by the special law granting them these benefits.

i) Property belonging to the Agrarian Reform Institute (IBR) that will be used in future settlements, as long as the transfer process has not been concluded.

j) National parks and ecologic preservation reserves declared as such by law, as well as Indian lands owned by the government.

Any change in the use of any of the properties included in this exemption law making them liable for taxes must be reported to the administration within the terms and conditions established by law.

Article 58. Partial Exemptions

When natural calamities affect property, the property tax may be reduced by up to 50 percent. The executive branch may grant this reduction as long as the damage is verified. The reduction must be set on a yearly basis.

Article 59. Temporary Exemptions

Plots of land belonging to beneficiaries of IBR settlements are exempted from the property tax and its addenda for five years after they are adjudicated the property.

The administration will establish the terms and requirements that must be complied with by those who request this exemption.

Article 60. Tax Base

The tax base is established through a property assessment by the National Land Registration Service.

The property value will be gradually adjusted each year over a period of time, which will be no shorter than five years, until it reaches its true market value. This annual adjustment may not be greater than the consumer price index variation for the 12 months previous to 1 November, according to the percentage released by the Central Bank of Paraguay or the pertinent official agency. The value thus determined will be increased annually by a percentage that may not be greater than 15

percent of the property value. As for rural property, new construction or improvements will not be included in the tax base.

Article 61. Tax Rate

The tax rate will be 1 percent. For rural landholdings of less than five hectares, the tax rate will be 0.5 percent, provided it is the owner's only property used for farming activities.

Article 62. Billing and Payment

The tax will be billed by the administration, which will establish how and when the tax will be paid.

Article 63. Real Estate Record

The real estate record is the instrument to be used for establishing the tax. The real estate record will include the data of the land survey record or the real estate registration for those zones that have not yet been included in the land survey record.

Article 64. Control

Notaries public and those who fulfill such functions may not issue transfer, modification, or ownership certificates affecting real estate without a note certifying that this tax and its addenda have been paid. The note's data will be included in the certificate.

In case of real estate transfer, payment of this tax will not depend on any agreement between the parties. The tax will be paid beforehand, in its entirety.

Failure to comply with this regulation will render the notary public jointly responsible for payment of the tax.

This regulation also will apply to issuance of land survey certificates and ownership certificates for real estate sold by the state, autonomous state organizations, and mixed corporations.

Article 65. General Directorate of Public Records

The Real Estate Registry will not register any certificate affecting real estate without previous compliance with the previous article's terms.

The same condition will apply to the registration of inheritors' statements with respect to real estate.

The General Directorate of Public Records will facilitate the work of duly authorized officials for taking from all registered certificates the data for the real estate record and the land survey record.

In case of judicial measures in which, for any reason, notes should be written, or in case of marginal explanatory notes clarifying errors of any kind and that are related to ownership of real estate, the General Directorate of Public Records will notify the National Land Registration Service through an official note, transcribing the text of the respective note or clarification.

Article 66. Administrative and Judicial Procedures

No administrative or judicial procedure or action related to real estate may be undertaken, nor ownership of any real estate property may be acquired through adverse possession, if the certificate provided for in Article 64 is not presented.

Article 67. Violations

Violation of the previous regulations by judges, notaries public, and Public Registry officials will be reported to the Supreme Court.

Additional Tax on Vacant Real Estate

Article 68. Tax Object

An additional tax to the real estate tax is hereby levied on the ownership or possession of real estate that is considered vacant in the capital and in the urban areas of the country's other municipal districts.

Article 69. Definitions

Vacant real estate is all properties lacking buildings or improvements, or those in which the value of such buildings and improvements amount to less than 10 percent of the land's value.

The executive branch may establish the zones in the outskirts of the capital and rural towns in which this additional tax will not apply. To this end, it will have the advice of the National Land Registration Service.

Article 70. Tax Rates

1) Capital: four per 1,000.

2) Rural municipal districts: one per 1,000.

Additional Tax on Large Rural Landholdings and Latifundia

Article 71. Tax Object

A tax is hereby levied on ownership or possession of rural land. The tax, which will be added to the real estate tax, will be established on the basis of the scale provided in Article 74 of this law.

Article 72. Affected Properties

This additional tax will apply not only to properties with a specific real estate record, but also to those that, despite having another real estate record, are adjacent, belong to the same owner, or are in the possession of the same individual. Real estate belonging to a spouse, or being under community property or under ownership of children under paternal authority, will be considered property owned by a single owner.

Concerning the type of properties listed in the previous paragraph, the owner or individual in possession of them will issue his annual sworn declaration before paying his

real estate tax, in order to pay the additional tax conforming to the appropriate scale.

The respective areas of all landholdings will be added together and considered a single property in order to enforce the tax scale.

Article 73. Tax Base

The tax base will be the property's tax assessment.

Article 74. Tax Rates

The tax will apply to:

a) Large landholdings

The line of the scale that includes the total property area will indicate the rate for calculation of the tax applying to the area.

Eastern Region (area in hectares)	Additional Tax (percentage)	Western Region (area in hectares)
10,000	0.0	20,000
10,001-15,000	0.5	20,001-30,000
15,001-20,000	0.7	30,001-40,000
20,001-25,000	0.8	40,001-50,000
25,001-30,000	0.9	50,001-60,000
31,000 and above	1.0	60,001 and above

b) In the case of latifundia, the percentages of the above scale will be increased 50 percent.

Article 75. Tax Distribution

Each city hall will be entitled to 50 percent of the revenues the state receives in real estate taxes and additional taxes paid on vacant properties for the entire municipal area.

Article 76. Omissions

The regulations provided for by the real estate tax created by this law will apply to everything that has not been specifically established in the preceding additional taxes.

Book III—Tax on Consumption

Title 1—VAT

Article 77. Taxable Activity

A tax is hereby established under the name VAT, which will tax the following acts:

a) The transfer of property.

b) The provision of services excluding personal services provided for dependents.

c) The importation of goods.

Article 78. Definitions

1) The transfer of property is hereby considered to be any operation for which it is paid or obtained free for the purpose of transferring property rights or giving those who receive it the right to use it as if they were the owners.

The name given by the parties to the operation and the condition of payment will be irrelevant.

The transfer concept includes the following operations:

a) The use or personal consumption of company goods by the company's owner, partners, and directors.

b) The use of goods with an option to buy or that which in some way foresees their transfer.

c) The transfer of companies; the cession of part of a company with or without legal status; mergers; takeovers; and transfers to company owners, partners, and shareholders made by closure, total or partial dissolution, and final liquidations of commercial and industrial firms or services.

d) Contracts with the promise to transfer possession.

e) The goods handed over in consignment.

2) Any provision of services whether paid or free, which without being considered a transfer, provides the other party an advantage or benefit such as:

a) Loans and financing.

b) Services on projects excluding materials.

c) Insurance and reinsurance.

d) Brokers in general.

e) The cession of the use of goods.

f) The practice of professions, arts, or trades.

g) The transportation of goods and people.

h) The personal use of company services by the company's owner, partners, and directors.

Personal services for dependents are considered those made as a contribution to the pension or retirement system or to the social security system created or admitted by law. The salaries resulting from the activities of the company's owner, partners, managers, and directors, as well as the payments received by the employees of the public administration, self-supported organizations, and decentralized agencies in the form of salaries, allowances, or any other payment, are included in this concept. Professional services, whether or not a contribution is made to the social security system, are excluded.

3) The permanent introduction of goods into the national territory is considered importation.

Article 79. Contributors

The following will be regarded as contributors:

a) Individuals who provide personal services, without excluding Article 86, when the gross income of the previous year is more than 9.6 million guaranies.

b) The single-owner companies established in the country when they carry out commercial, industrial, and service activities if their gross income the previous year was more than 20.4 million guaranies.

Single-owner companies are those listed in Chapter I of the Income Tax. The companies that carry out import and export activities are excluded from this clause.

c) The companies with or without legal status, private companies in general, as well as the individuals or companies established abroad or their branches, agencies, or establishments, when they carry out the activities mentioned in clause b), whatever the amount of their income. Those that carry out import and export activities are included in this clause.

d) Self-supported organizations, public companies, decentralized organizations, and mixed-economy companies that carry out commercial, industrial, or service activities. The executive branch will establish the rates to be applied in each case, which cannot be higher than the rate established for this tax.

e) Those who introduce permanent goods into the country and are not included in the previous clauses.

The amounts established in clauses a) and b) must be updated annually by the administration in accordance with the percentage change in the consumer price index during the 12 months before 1 November of each year, based on information released in this regard by the Central Bank or an appropriate official organization.

Whenever it is necessary to help collection, and to control or figure out the tax amount, the executive branch is empowered to suspend updating the amounts for that year or to use a higher or lower percentage resulting from the above procedure.

Article 80. Beginning of the Tax Obligation

A taxable operation begins with the product's delivery, the issuance of the invoice, or an equivalent act, whichever comes first. In the case of public utilities, the taxable operation begins when the deadline for payment falls due.

The cession of an object for personal use becomes finalized when the product is taken away.

In the case of services, the obligation begins after any of the following acts:

a) The issuing of the appropriate invoice.

b) The receipt of partial or total payment for the service in question.

c) When the deadline for payment falls due.

d) When the service is totally executed.

In the case of imports, the tax obligation begins at the moment goods are registered as entered at the customs office.

Article 81. Territoriality

Independent of special regulations established in this article, this law will tax the transfer of goods or services inside the national territory, irregardless of the place where the contract was signed, or the address, residency, or nationality of the individuals participating in the operations, or the individuals receiving such goods or the goods' origin.

Technical assistance will be considered implemented on national territory when it is used in the country.

Concessions for the use of goods and rights will be considered of Paraguayan origin when they are used in the country, even if their use is partial during a contracted period.

A service of insurance and reinsurance will be considered as implemented on national territory in any of the following situations: a) when the risks occur in the Republic, exclusively or not, and b) when the goods or individuals involved are located or reside in the country at the moment the contract is signed.

Article 82. Taxable Base

In cases involving operations with the transfer of money, the taxable base is determined by the net price obtained at the delivery of the goods or service. Such prices, and all charges that affect it, will be considered paid by the buyer, regardless of whether they are paid concomitantly or separately.

The calculation of the net price will included deductions for the value of goods that are returned, bonuses, or discounts in the internal market that are registered in invoices or other documents established by the administration, and in accordance with conditions established by it.

In cases when the transfer is made for personal use or consumption, or in case of awards or operations without cost or a determined price, the taxable amount will be set by the internal market's sale price.

When it is not possible to determined the price of an item, the price will be obtained by adding the item's cost placed in the company ready for sale, plus 30 percent of such value as gross profit.

When the price of services is determined by customs tariffs, this value is considered the minimum taxable amount for that service.

The executive branch will be empowered to establish proceedings for determining the taxable base of services that are partially rendered on national territory when such a base cannot be accurately established because of some special characteristics. The taxable base that is so determined will admit proofs against it.

In all cases the taxable base will include the amount of other taxes affecting the operation, but will exclude this tax.

Whenever goods are introduced into the country for good, the taxable amount will be a value in foreign currency that is determined by customs' value service in accordance with the laws, plus customs duties even though these duties are suspended, plus other taxes affecting the operation before the goods are withdrawn, plus internal taxes affecting the act but excluding the VAT.

When goods are introduced into the national territory by individuals mentioned in Article 79, item e, of this law, the taxable base mentioned above will be increased 30 percent.

Article 83. Exemptions

Exemptions will apply in the following cases:

1) Sale of:

a) Unprocessed agriculture and livestock products.

b) Foreign currency, public and private securities, and certificates and shares.

c) Real estate.

d) Gambling tickets and documents.

e) Fuels that are oil byproducts.

f) Inherited goods.

g) Credits.

2) Rendering of the following services:

a) Payment of interest on public and private securities.

b) Renting of real estate.

c) The financial intermediary services provided for in Law No. 417, dated 13 November 1973, including loans granted by foreign banks, with the following exceptions:

—negotiating, on behalf of third parties, the purchase and sale of securities, and operating as an agent for the payment of dividends, amortization, and interest;

—issuing credit cards;

—mandates and commissions whenever they are not related to authorized financial operations;

—managing security portfolios and rendering financial services not established in the above law;

—collection services, and rendering of technical and managerial assistance;

—renting movable goods.

d) Loans by and deposits in the financial entities listed in Law No. 417/73, dated 13 November 1973, and in the entities that are mentioned in the following paragraph (e.

e) Loans granted by:

—savings and credit cooperatives;

—the Agricultural Development Fund (CAH);

—the System of Savings and Credit for Housing;

—the National Development Bank;

—the Livestock Fund.

f) The services rendered by permanent or temporary employees contracted by embassies, consulates, and international organizations accredited before the national government according to the existing laws.

3) The importation of:

a) Crude oil.

b) The purchase of goods exempted by this article.

c) Goods considered baggage, which have been introduced into the country by travelers, in keeping with customs regulations.

d) Goods introduced into the country by members of the diplomatic and consular corps, and by members of international organizations accredited before the national government in keeping with the law.

e) Movable goods directly used for the industrial or farming productive cycle, which were imported by investors while implementing their first project, under the terms of Law No. 60/90, dated 26 March 1991. The exemption established by this article will not apply if the goods are produced locally.

4) The following entities:

a) The political parties; organizations for social assistance, charitable action, and education; institutions for scientific, literary, artistic, union, physical education, and sports training; and the associations, federations, foundations, corporations, and other entities with legal recognition, provided they are nonprofitable and their dividends or surpluses are not directly or indirectly distributed among their members but used exclusively for the purpose for which the entities were created.

b) Religious organizations that have been recognized by the appropriate authorities, in case of action linked exclusively with the exercise of cult and religious services.

The exemptions provided for in paragraphs a) and b) of this fourth part may not apply to the importation of goods.

Article 84. Exports

Exports are exempted from taxes. Exports include goods and the freight services for their transport abroad. A copy of the appropriate accounting documents must be kept. The administration will establish the conditions and procedures with which the documents must comply and the documents that prove that the merchandise arrives at its destination abroad.

If there are no such documents, it will be presumed that the goods were sold and the services rendered in the internal market, and the appropriate taxes must be paid.

Article 85. Documents

Taxpayers are obligated to present invoices for each operation or service rendered and they must keep a copy of the invoice until that tax is paid.

The tax rate that is established by applying the percentage established in Article 82 must be listed separately in the invoice or document, unless a regulation expressly authorizes its inclusion in the price.

The administration will establish the conditions and procedures for invoices to allow the deduction of fiscal credit and better tax control.

When the administration believes that the course or nature of an activity makes the preparation of detailed documents difficult, the administration can—on request—accept or establish special invoice forms.

Article 86. Tax Payment

Taxes will be paid monthly and will be established by the difference between the "fiscal debit" and the "fiscal credit." Fiscal debit is the sum of the taxes accrued from taxable operations during the month. Deductions from the fiscal debit are taxes on refunds, allowances, and discounts as well as taxes on taxable acts that are considered uncollectible. The executive branch will establish conditions for determining uncollectible taxes.

Fiscal credit is:

a) The sum of taxes included in purchase invoices for the month in accordance with Article 85.

b) Taxes paid during a month on imported goods.

Fiscal credit can be deducted on the condition that it comes from goods or services that are directly or indirectly affected by taxable operations.

When taxable and nontaxable operations are conducted simultaneously, the deduction of the fiscal credit will be made in proportion to the taxable operations with regard to the totals during the period established by the executive branch.

Those who provide personal services cannot deduct the corresponding fiscal credit for the purchase of automobiles. The remaining fixed assets affected by that activity will be taxed when they are transferred as long as the corresponding fiscal credit was deducted from them.

When the fiscal credit is higher than the fiscal debit, the surplus can be included in the next report as surplus.

Article 87. Fiscal Credit Ceiling

Taxpayers included in item d of Article 79, which applies a rate below the rate established by Article 91, can use the fiscal credit until the fiscal debit runs out. The surplus cannot be used in later reports. Also, a refund cannot be requested, thus becoming an expense for the taxpayer.

Article 88. Fiscal Credit for Exporters

Exporters can receive a refund of the fiscal credit on goods and services that directly or indirectly affects their exports. This will be credited against the fiscal debit in cases where the exporter also carries out taxable operations. If a surplus exists, it will be used to pay other taxes or it will be refunded under conditions established by the administration, which is empowered to adopt other procedures for the use of such credit. The deadline for a refund cannot exceed 60 days from the date of a request, on the condition that the request is accompanied by documents justifying the credit.

Agricultural producers included in Chapter II of the Income Tax Law will be in the same bracket as exporters during the enforcement period for this tax and application of that chapter. They will be entitled to a refund of 50 percent of the VAT on goods and services bought on the local market and abroad that are linked to agricultural activities included in Chapter II under the terms and conditions established in this article.

Goods brought into the country under the temporary admission regulation for transformation, manufacture, improvement, and export will receive the same fiscal treatment accorded to exporters.

Foreign goods to be repaired or finished in the country, which are brought under that regulation, will be considered in the same manner.

Article 89. Imports

The definitive introduction of taxable goods into the country must be reported and taxes paid on them at customs offices before the goods are withdrawn from port.

The sum paid by taxpayers mentioned in Article 79, item e of this law will be taken as final payment. The sum paid by the other taxpayers mentioned in the same article will constitute a fiscal credit that will be used in accordance with general tax practices.

Article 90. Special Regulations

In cases where the purchase or sale of used articles is conducted with individuals who are not taxpayers, the administration will establish percentages estimating the appropriate added value of the traded product.

When, because of practical reasons, trading characteristics, or supervision difficulties, it is advisable to simplify the tax collection system, the executive branch may establish that collections be made at various stages or at one particular stage of the economic cycle of a product, based on its retail market price. The executive branch will establish the procedure for establishing that price, except when it is officially fixed.

The administration will be empowered to establish tax payment deadlines longer than 30 days for taxpayers whose report does not exceed a certain amount, which will be established. The administration will also be empowered to grant special payment prerogatives to taxpayers who, because of the characteristics of the activity, trading methods, or other justified reasons, encounter difficulties in working according to the general system hereby established.

Article 91. Rate

The tax rate will be 8 percent.

This tax rate will rise to 10 percent when the tax on acts and documents mentioned in the last paragraph of Article 128 of this law is partially derogated.

Article 92. Sworn Statement and Payment

The administration will establish the form and time for contributors to present their sworn statements as well as deadlines for payment.

Article 93. Accounting

The administration may require taxpayers to keep special registers, bookkeeping arrangements, or other appropriate accounting to serve this tax in accordance with the taxpayer's category.

Article 94. Beginning of Activity

The executive branch will establish the criteria and time when those who establish a taxable activity will begin paying the tax.

Article 95. Coresponsibility

The heads of companies that operate theaters, television channels, radio stations, and sports shows will be coresponsible for the payment of taxes of individuals performing in their shows.

These agents will withhold, or receive from the taxpayer, the appropriate amounts to pay the corresponding tax.

The executive branch will be empowered to establish proceedings to determine the estimated taxable base for services rendered by individuals who are temporarily working in the country, and whenever the characteristic of the service makes establishment of the tax base difficult.

Article 96. Merchandise Transport

The executive branch is authorized to require that all merchandise circulating in the national territory must have an invoice or a similar document.

After the administration establishes this requirement, merchandise circulating without documents will be violating the law. As a result, the undocumented merchandise and the vehicle being used to transport it will be detained until the documents are presented and taxes or fines paid in accordance with the infraction and penalty regulations contained in Chapter III, Book V of this law. If the documents are not presented to the authorities and the owner of the merchandise does not appear before authorities, the driver will be held responsible for payment of the appropriate taxes and fines, in addition to the fine he will have to pay for transporting undocumented merchandise.

In either case, the driver can recover his vehicle after giving a personal, real, or third-party guarantee deemed appropriate by the administration. The driver will not be held responsible for the true content of the packages or boxes he is transporting if it differs from what is stated in the remittance invoice or similar document.

Article 97. Exchange

Goods or services received through exchange operations will be valued in accordance with the appropriate regulation.

Article 98. Provisional Payment

When sworn statements are not presented in time, the administration may require that the taxpayer make a provisional payment equal to the amount resulting from application of the tax rate on any of 12 previous sworn statements at the election of the administration.

Title 2—Selective Tax on Consumption

Article 99. Taxable Activity

The Selective Tax on Consumption is hereby created. It will affect the importation of goods listed in Article 106, and the first transfer operation of such goods if they have been locally produced.

Article 100. Definitions

For the purpose of this law, transfer means any operation of sale or donation by which goods are transferred along

with the right of ownership, or any operation granting the recipient of the goods the right to make use of them as if he were the owner. The form of payment or designation that the parties give to the operation will be irrelevant for the purpose of this law.

Transfer also means the use or personal consumption—by the owner, partner, or enterprise directors—of the enterprise's goods and the goods delivered for consignment.

Importation means the admission of goods into the national territory on a permanent basis.

Article 101. Taxpayers

Taxpayers are:

a) The manufacturers who make sales in the national territory.

b) The importers who bring goods into the country. They may be one-man enterprises or corporations with or without legal status, private entities of whatever nature, pubic enterprises, autonomous agencies, and mixed corporations.

Article 102. Taxable Action

The taxable action is the delivery of the goods. Goods will always be accompanied by the corresponding certificate.

Delivery is presumed to take place on the date of the respective certificate. The administration, however, may establish the delivery date in case of omission, or early or delayed issuance of the document.

In the case of importation, the taxable action is the registration of goods at the Customs Office.

Article 103. Territorial Jurisdiction

Sales made in the national territory will be taxed irrespective of the place where the contract was signed; of the domicile, residence, or nationality of those who take part in the sale; and of the place from which the payment comes.

Article 104. Exports

This tax will not affect exports. Exporters will have the corresponding customs documents, which will be properly registered in the enterprises' accounting books. The administration will establish the conditions and formal requirements to be met by said documents. The administration may request other documents to prove the goods' arrival at the scheduled destination abroad.

In the absence of the documents, the goods will be considered as having been sold on the local market and will be taxed accordingly.

Article 105. Taxable Base

The taxable base is the factory price, excluding this tax and the VAT.

The factory price will be set by the manufacturer and reported to the administration for each brand and class of product, specifying the quantity that is sold in each container. Bulk-sale prices will be established on the basis of the unit of measurement.

Price changes will be reported to the administration within the deadlines established by the regulations.

Violation of this disposition will be considered fraud.

The taxable base of imports is the customs value, expressed in foreign currency and established by the customs assessment service in keeping with the law, plus customs taxes—even if such taxes have been suspended—and other taxes affecting the operation before the withdrawal of the goods, excluding this tax and the VAT.

Concerning fuels that are oil by-products, the taxable base is the retail price established by the executive branch, except for those products enjoying free importation and price regimes. The dispositions provided for in previous paragraphs will apply to such products.

The executive branch is hereby empowered to estimate taxable bases to replace the bases established in this Article. Such bases may not surpass retail prices on the local market.

Article 106. Tax Rates

The goods included in the following list will be taxed according to the corresponding tax rates:

Section I

1) Perfumed cigarettes or cigarettes manufactured with flue-cured tobacco of the Egyptian, Turkish, Virginia,or similar type: 8 percent

2) Cigarettes in general, which are not included in 1): 8 percent

3) Cigars of any type: 7 percent

4) Black or flue-cured tobacco, shredded or in another form, except for tobacco leaves: 7 percent

5) Processed, shredded, long-cut tobacco, snuff, or any other type of tobacco: 7 percent

Section II

1) Mineral waters and sweet soft drinks without alcohol, and in general, unspecified beverages with up to 2 percent alcohol: 8 percent

2) Fruit juice with up to 2 percent alcohol: 8 percent

3) Beer in general: 8 percent

4) Unspecified artificial and distilled cognac, gin, rum, cocktail, sugar cane rum, and liquor: 10 percent

5) Liquor manufacturing products, anise, bitter [preceding word in English], angostura bitters and similar products like vermouth, punch, and liquors in genera: 10 percent

6) Ciders and fruit wine in general, sparkling or otherwise; sparkling wine, concentrated or alcohol wine or must, and mistelle: 10 percent

7) Natural grape wine (red, rose, white, except for sweetened wine): 10 percent

8) Sweet wine (including natural sweetened wine), dessert wine, nonsparkling fruit wine, and artificial wine in general: 10 percent

9) Champagne and similar beverages: 10 percent

10) Whisky: 10 percent

Section III

1) Anhydrous or absolute alcohol, and denatured rectified spirit, exclusively for fuel: 5 percent

2) Denatured alcohols: 5 percent

3) Rectified alcohols: 10 percent

4) Unspecified alcohol liquids:10 percent

Section IV

1) Fuels that are oil by-products: 50 percent

The executive branch is hereby empowered to establish differential rates for the various types of products listed under each number of each section.

Article 107. Barter

The goods or services received in barter operations will be valued in keeping with regulations.

Article 108. Billing and Payment

The tax will be billed monthly, except for fuels, which will be billed weekly, Sunday through Saturday.

The administration will establish the date for the presentation of the sworn declaration and the payment, and the conditions applying to special records and books, or to appropriate accounting methods. The tax on imports will be paid before withdrawal of the goods from customs facilities.

Article 109. Imported Goods

Customs offices will not permit the withdrawal of merchandise that should pay the Selective Tax on Consumption before payment of this tax. This disposition will also apply to imports that are free of freight charges.

Article 110. Containers

Containers holding merchandise to which the tax applies will bear an impression on the label, or in other easy-to-identify places, with the product name, the manufacturer's or importer's name, and his registration number in the Single Taxpayers Registry. (RUC)

Containers will bear a clear legend with the net quantity of the taxed product. The executive branch is hereby authorized to establish other conditions.

Article 111. Control Devices

The executive branch is authorized to require the adoption of control devices for issue by the administration, which will establish the characteristics of these devices and the manner in which they will be used.

Article 112. Control

All import documents for beverages in general—data on the brand, quantity, type, and bottling and other data that identify the import—must match the data on the original customs documentation, except for possible decreases in number due to breakage, damages, or defects, which must be duly documented by authorized officials.

Article 113. Documentation

Taxpayers must issue and provide sales receipts for all transfers, and must keep copies of the receipts until the statute of limitations for the tax expires.

Once the amount of the tax is determined, it will be added to the price of the product.

The administration is authorized to establish the procedures and requirements for said documents.

Article 114. Production Capacity

The administration may demand that taxpayers report a company's production capacity. It may also order that the reported production capacity be checked.

Data necessary for verification of production capacity can thus be demanded.

Article 115. Plant Renovation

Taxpayers shall report to the administration, within the times and conditions established by it, any modifications to plant equipment or facilities that may affect a company's production capacity.

Article 116. Merchandise Transport

The executive branch is authorized to require that all merchandise circulating in the national territory have an invoice or a similar document.

After the administration establishes this requirement, merchandise circulating without documents will be violating the law. As a result, the undocumented merchandise and the vehicle being used to transport it will be detained until the documents are presented and taxes or fines paid in accordance with the infraction and penalty regulations contained in Chapter III, Book V of this law. If the documents are not presented to the authorities and the owner of the merchandise does not appear before authorities, the driver will be held responsible for payment of the appropriate taxes and fines, in addition to the fine he will have to pay for transporting undocumented merchandise.

In either case, the driver can recover his vehicle after giving a personal, real, or third-party guarantee deemed appropriate by the administration. The driver will not be held responsible for the true content of the packages or boxes he is transporting if it differs from what is stated in the remittance invoice or similar document.

Article 117. Special Regulations

When, because of practical reasons, trading characteristics, or supervision difficulties, it is advisable to implement simplified billing systems [sistemas simplificados de liquidacion], the executive branch, with the assistance of the administration, can establish the necessary criteria.

Article 118. Temporary

If a citizen who has been paying the tax on products established by Decree No. 5, dated 12 January 1952, has locally manufactured products taxable under that decree on the day this tax goes into effect, he will have to prepare a detailed inventory of the products and specify which ones have already been taxed.

The administration will establish the requirements, procedures, and periods with which taxpayers will have to comply, as well as the data they will have to provide for recognition of tax payments on products that remain to be sold.

Moreover, policies on fiscal control instruments will be implemented for products in the taxpayer's possession that remain to be used.

Title 3—Tax on Domestic Cattle Trade

Article 119. Taxable Activity

A tax affecting all cattle transfers within the national territory is hereby established. This tax will be called the Tax on Domestic Cattle Trade.

Article 120. Transfers

Any operation—whether free or involving some form of exchange—the purpose of which is the delivery of goods involving a transfer of property rights or giving those who receive the goods the right to use them as if they were the owners will be considered a transfer. The name given to the operation by the parties as well as the payment terms will be irrelevant unless a broad general or administrative power of attorney is involved.

Article 121. Taxpayers

This tax will be paid by the cattle owner—either individuals or corporations with or without legal status or public or private enterprises or enterprises financed jointly by government and private capital.

Article 122. Classification of Taxable Fact

The tax obligation will begin when the taxpayer presents the administration with an application for a cattle transport permit. This application must be presented within 72 hours after the transfer, whether or not the cattle are transported.

In the case of transfers at cattle fairs, the obligation begins when the auctioneer awards the cattle, closing the sale.

Article 123. Tax Base

The tax base will be established by the average price of cattle on the domestic market, which will be determined by one of the following categories:

a) weaned calves

b) cows

c) young bulls and bulls

d) others

Every year the executive branch will fix these prices in keeping with those established at fair auctions or other representative indicators for the January-June period of the previous year.

The administration will be able to adjust these prices every six months provided the positive or negative variation exceeds 10 percent of the price.

Article 124. Tax Rate

The tax rate is hereby established at 2 percent.

Article 125. Billing and Payment

The tax will be billed in every cattle transfer.

The administration will establish when and how the tax will be collected.

Article 126. Transport Permit

It will not be possible to move any cattle within the country without a transport permit that the administration will issue.

When such a move is made in order to transport cattle from one property to another used by the owner for his activities or to sell cattle at a fair auction, a "simple transport permit" will be issued for these purposes alone.

Cattle auctioneers will not be able to auction cattle if the owner of the animals does not present the appropriate permit beforehand; the permit will be controlled by the cattle auctioneers.

Entities sponsoring auctions at fairs, slaughterers, and industrialists will be liable for any tax that the cattle owner fails to pay for operations linked to their respective activities.

Book IV—Other Taxes

Title 1—Tax on Actions and Documents

Article 127. Nature of the Tax

A tax is hereby levied on obligations, actions, and contracts whose existence is certified by a document. This tax will be called the "Tax on Actions and Documents."

Article 128. Taxable Activity

The following activities will pay taxes:

I. Administrative Actions

1) a. The first page of any document addressed to the executive branch and its respective departments that does not pay any other tax mentioned in the following items; b. The succeeding pages of documents mentioned in the previous clause.

2) Any certificate, record, authenticity certificate, report, or certified copy of a document issued by administrative or judicial offices, by autarchic and mixed-economy enterprises, and by notaries public.

3) Certified copies of laws, decree-laws, decrees, and resolutions.

4) Requests for naturalization papers filed with the court.

5) Every brief presented to a court of law, legal jurisdiction, or judicial office.

II. Notaries Public Actions

6) Each page of documents and certificates issued by notaries public and other officials in charge of official registries, regardless of taxes corresponding to the various judicial actions or contracts that may be authorized.

7) Any document with a determined value not specifically mentioned in this law.

8) Any document without a determined value not specifically mentioned in this law.

9) Notarized general and specific powers of attorney; cancellations, delegations, or amendments to powers of attorney; private powers of attorney; marriage licenses; and acts establishing tutelage or guardianship, and each copy or certified copy of the aforementioned documents.

10) Wills in general.

11) The original or copies of any will.

12) Contracts for concessions granted by the government, except those related to forestry, regardless of other corresponding taxes established by special laws.

13) Contracts when their value is not determined.

III. Businesses

14) The annual inspection fee for limited liability companies and for agencies and branches of business established abroad.

15) Registration or renewal of trademarks for products or services.

16) Any request for registration at the Public Registry for Commerce that must be made in compliance with the law.

17) Requests for registration of each accounting book or computer paper for every 200 pages or fraction thereof.

18) Contracts establishing businesses, their extension, and increases in capital.

Temporary associations for commercial purposes without a formal partnership or investment trust will pay their taxes when they need to prove their existence.

Branches, agencies, or representatives of foreign businesses.

IV. Actions Linked to Real Estate

19) Contracts for the lease or sublease of real estate, or payment receipts in the absence of a contract.

20) Property division deeds, concession of mortgage credits, and concession of rights and shares in real estate property as well as profits, servants, and use deeds.

21) a. Real estate property transfers and sale contracts will only pay taxes on the total or partial payment receipts, even in the event of other taxable actions pertaining to the operation; b. Public documents on the transfer of real estate property, whether paid with cash or credit.

22) Certificates and evaluations made by the National Real Estate Property Registry.

V. Actions Linked to Personal Properties and Services

23) Contracts and obligations for the purchase, sale, and exchange of personal properties, as well as the division of joint ownerships. Those directly linked to commercial, industrial, agricultural, and livestock operations or to services that are established in Book I on income taxes will be exempted from paying taxes.

24) Money receipts, including the so-called "provisional" receipts, final receipts, or any document dealing with payment or exemption. Those directly linked to

commercial, industrial, agricultural, and livestock operations or to services established in Book I on income taxes, as well as receipts, advance payments, bills, lists, and guarantees that accredit salary payment, and other payments to personnel who render services to private individuals, decentralized institutions or mixed economy organizations will be exempted from paying taxes.

VI. Actions Linked to Brokerages

25) Loans in money or in kind and credits that were granted or rescheduled by banks or financial organizations in keeping with Law 17/73, promulgated on 13 November 1973.

26) Bills of exchange, drafts, interbank checks, money orders, letters of credit, and all other operations that imply an internal transfer of funds.

27) Bills of exchange, drafts, money orders, letters of credit, and any operations that imply a transfer of funds or exchange currency abroad.

VII. Actions Linked to Ships

28) Each certificate on the cancellation of a fleet flag.

29) Contracts on the transfer of ship ownership.

VIII. Other Actions

30) Obligations to pay amounts of money through promissory notes or related documents, provided they involve private negotiations that have no links with commercial or industrial activities.

31) Each registration in the Public Registry General Directorate of any document that is not registered anywhere else, and each evidence of the registration written at the bottom of a document, testimony, certification, or report.

32) Each registration paper for brands or other means of identifying cattle and horses.

33) Raffles.

34) Export of fresh agricultural and livestock products.

The tax imposed on profit-generating activities that are established in this article, except for those included in Nos. 25 to 27 and No. 34, will be revoked two years after enforcement of the VAT. The remaining articles will be applied to everything related to profit-generating activities that are taxed.

Article 129. Taxpayers

The following people must pay taxes on activities considered taxable under the terms of Article 128:

a) In actions contemplated in items 1 to 5, those who submit applications or documents.

b) Item 6, notaries public and registered officials.
Item 7 to 11 and item 13, signatories.
Item 12, holders.

c) Item 14, corporations and offices or branches.
Items 15 to 17, those who apply for registration or authentication.
Item 18, signatories to the document and in the case of postponements and expansion, the corporations.

d) Items 19 to 21, signatories.
Item 22, those who apply for the certificate and the owner of the evaluated property.

e) Items 23 and 24, signatories.

f) Items 25 to 27, signatories.

g) Item 28, the owner of the ship.
Item 29, signatories.

h) Item 30, signatory.
Registration.
Item 33, those responsible for raffles and drawing lots [sorteos].
Item 34, exporters of unprocessed agricultural and livestock products.

Article 130. Beginning of the Tax Obligation

The taxable activity becomes a reality through the sole creation or existence of the document containing the obligations, actions, or taxed contracts irrespective of its legal validity.

In the case of actions and contracts that should have been formalized in a document, but were not, the tax obligation begins at the time these should have been formalized.

Regarding taxes, the conditional obligations will be levied as if they were pure and simple obligations.

Article 131. Exemptions

The following actions and entities are exempted:

I. Actions

1) The loans documented in promissory notes or similar documents that are given as part of a contract, as long as the tax on the principal action has been paid or the document is tax exempt.

Balances of interbank accounts and accounts of banks with their main offices, offices, branches, or agencies.

2) Reimbursement operations or bank coverings on transfer operations.

3) Nonprofit raffles or drawing lots of social clubs, charity institutions, and social assistance institutions.

4) Donations to the central government, municipalities, universities, and charity organizations.

5) Receipts on salaries, retirement funds, and pensions, and authorizations to collect them for public administration personnel, retirees, and pensioners of the Retirement and Pensions Fund of the Social Security Institute and other institutions that grant the same benefits.

6) Acceptance, protest, and endorsement of letters of exchange, promissory notes, and other credit documents on which taxes have already been paid or which are tax exempt.

7) Receipts for partial or overall payments based on contracts or actions on which taxes have been paid or which are tax exempt.

8) Receipts that are not payment documents.

9) Mandatory declarations to the administration for the collection of taxes as well as requests for administrative interpretation of the legal regulations.

10) Actions related to the compulsory military service.

11) Petitions for habeas corpus and their proceedings; briefs filed by the defense attorney at a criminal court, which are subject to the payment of stamps within a period of 10 days if the defendant is forced to pay damage; briefs reporting the existence of vacant succession; child support cases filed by the plaintiff, which are subject to payment of stamps within a period of five days after the final decision is passed; briefs filed by people with a poverty affidavit; receipts issued by destitute people receiving assistance from charity organizations or cooperatives.

12) True or personal guarantees.

13) Amendments to clarify or correct the taxable activity as long as they do not modify the deadline or the amounts to be taxed.

If the amount is increased, a tax will be levied on the added value.

14) Exemptions contemplated on Law 60/90, dated 26 March 1991, related to Law 1003/64 will apply to the same actions and documents included in this tax.

II. Enterprises

15) The State and the offices subject to the three state branches, the Municipalities, and the Universities.

16) Any religious organization with legal status.

17) a) The state autarchic enterprises, mixed enterprises, regarding their establishment, approval, internal operation, as well as those actions mentioned in Items 1 through 5 of Article 128.

b) Political parties registered with the Central Electoral Board, benefit societies, professional workers' associations, workers, trade unions, employees' cooperatives, charity, cultural, or sports organizations with legal status; educational institutions and public or private agriculture schools, for benefits mentioned in Clause A and the tax on receipts corresponding to fees and contributions made by their members.

c) Agriculture production cooperatives organized in compliance with Law No. 349 of 12 January 1972, authorized by the Cooperatives Department of the Agriculture and Livestock Ministry, for the same benefits mentioned in Clause C as well as for the tax on operations in which it acts as a mere intermediary for the benefit of its members.

d) The Agrarian Reform Institute and Agriculture Development Fund for operations, transactions, and documents in which they may be involved.

Except for express measures contrary to this tax, the same benefits will be valid for any transactions, paperwork, and operations carried out with the aforementioned institutions.

e) Credits for agricultural and industrial development purposes up to 20 million guaranies granted by institutions subject to the law on banks. This exemption will apply to the contracting parties.

The aformentioned amount will be adjusted every year according to the criteria established in Article 133 of this tax.

In contracts or other documented actions involving a party favored by tax exemption and another party not favored by tax exemption, the latter will pay only half of the tax.

Article 132. Tax Base

The tax base to which the corresponding tax rate will be applied will be based on the value stated in the documents.

Fixed taxes will be applied irrespectively of the value mentioned in the documents.

In the items of Article 128 the tax will be charged on the following:

a) In item 14, the total fiscal asset evaluated through Income Tax norms, Chapter 1.

b) In item 18, the initial paid-up capital and the latter additions or purchases, independent from any other tax that corresponds to be applied on the transference of assets for paid-up capital.

c) In item 19, the monthly payment of the lease or sublease may not be less than 0.8 percent (zero point eight percent) of the official evaluation established by the National Service of Land Registration.

d) In item 20, the tax will not diminish as a consequence of an existing mortgage discounted from the operation price.

When a price is not established in a legal instrument or when a price established in a legal instrument is less than the official assessment, the official assessment will be used as a tax base to pay the tax.

In the case of mortgage credits, the real credit amount granted will be the tax base to determine the tax due. In cases in which an operation is verified to have been made at a higher value than that mentioned in the legal instrument subject to taxation, a tax on the price difference will be demanded, plus the corresponding fine.

e) In item 23, the taxable value may not be less than the real sale price of the vehicle on the internal market. The Administration may establish annual price lists based on market prices. In barter cases, the average of the values involved in the barter will be considered as the tax base.

f) In item 25, the taxable value will be made up of the capital plus interests and commissions.

g) In item 33, the price stated in the invoices corresponding to the sales that take place every calendar month.

h) In item 34, the tax base will be that of the customs value of the exports. The rate established in item 34 of Article 133 is the maximum applicable one, but the executive branch may totally or partially reduce it and establish differential rates among agricultural products. The executive branch may also establish which agricultural products will be subject to taxation.

i) The taxable amount in contracts in which prices are subject to posterior adjustments will be made up of the initially set value and the adjustments that made later.

The payment of the tax corresponding to the mentioned adjustments must be made at the time each adjustment is made.

Article 133. Fixed Rates and Taxes

Items of Article 128	Clause	Rate (percent)	Fixed Tax
1	a		300
1	b		100
2			500
3			300
4			30,000
5			200
6			100
7		1.00	
8			10,000
9			1,000
10			10,000
11			1,000
12		2.00	
13			10,000
14		0.5 per thousand	
15			10,000
16			10,000
17			2,000
18		1.00	
19		2.00	
20		2.00	
21	a	1.00	
21	b	2.00	
22			3,000
23		2.00	
24		2.00	
25		1.74	
26		1.00	
27		1.50	
28			500,000
29		2.00	
30		1.75	
31			1,000
32			10,000
33		8.00	
34		12.00	

The rate of Item 25 is annual and it will be applied in proportion with the time period established in the contract up to a maximum 12-month period. The executive branch is entitled to set a smaller rate in keeping with financial market variations and the credit policy needs of the government.

The fixed taxes established in this article must be updated annually by the executive branch based on the variations of the general consumers price index during the 12 months previous to 1 November of every calendar year, according to the pertinent figures released by the Paraguayan Central Bank or a pertinent agency.

Article 134. Double Incidence

When several parties sign contracts or engage in activities with the same objective and which maintain an interdependent relation among each other, only the largest taxable contract will be taxed.

Article 135. Contracts Signed or Obtained Abroad

Contracts signed or obtained abroad which will produce effects in the Republic of Paraguay are subject to taxation in keeping with this law, before being registered, implemented, or paid in Paraguayan territory.

Article 136. Original and Copy

When legal instruments or contracts are issued with several identical copies, the tax will be paid only on the original document. The copies must bear the numbers and value of the stamps used in the original. The validity of the registrations made in the copies is subject to legal verification by the administration.

Article 137. Successive Execution Contracts

Successive execution contracts or periodical payment contracts are those legal instruments in which the duration of the agreement affects the determination of the total value of the payments.

These include leasing, subleasing, energy supply, and other services and instruments for operations of similar characteristics.

The tax will be applied on the value corresponding to the total established duration or, in case a time period is not determined, on the value corresponding to a two-year period.

Article 138. Renewal and Extension

The renewal or extension of a contract or obligation will be considered as a new taxable operation, as described below:

a) If the extension of the contract or obligation occurs automatically, without the parties having to take any action, the tax will be calculated on the basis of the duration of the initial contract plus the duration of the extension period. If the contract or obligation is extended for an indefinite period, its duration will be considered two years, and this period will be added to the period of the initial contract.

b) If the extension depends on a declaration by any of the parties, the tax will be calculated on the basis of the initial period alone. The tax will be paid at the time the option is made or the extension agreed upon. Payment will be registered in the document in which the option or extension is recorded.

c) In case of termination of contracts for which no extension or renewal has been provided for- and if neither party has made a specific request, and if neither renewal nor extension has been established in documents—the tax will be paid at the time the contract is terminated or at the time the contract is presented as contractual evidence.

Article 139. Unspecified Value

If the taxable document does not specify the value of the obligations or contracts that are subject to proportional taxation, the tax will be calculated on the basis of the estimate that the parties will submit to the administration in a sworn declaration, foliowing the procedure to be established by the administration. In their declaration, the parties will describe the factors they used for calculating their estimate.

The declaration with the estimate, submitted within the legal term, will be considered accepted and valid if the office approves the respective documents without any observations.

After the administration has either tacitly or specifically approved the estimate, the administration may not demand additional payments later, even if the operation's value turns out to be higher than the estimate. If the parties omitted the estimate, or if it was rejected by the administration, the administration will make the estimate at its own initiative and based on the available information. For contracts providing for the rendering of services or provision of goods in stages, the taxable value will be established on the basis of each payment.

Article 140. Contracts Through Letters

Any letter whose text stands by itself as a legal document that can be used for demanding compliance with the obligations described therein, without needing any other document, will be considered a contract.

The legal document to which this article refers consists of any letter that—after acceptance of a proposal—includes the text of the proposal, its clauses or essential factors (quantity of merchandise or services, or prices that were agreed upon), and the proposals or copies of proposals or budgets that were signed by the accepting party. The tax on other letters or documents that may not be considered in terms of the previous paragraph, but which refer to preestablished or future obligations or actions, will be paid when presented as contractual evidence. In such cases, only one tax will be paid on all the letters referring to the same obligation.

Article 141. Foreign Currency

If contract amounts are expressed in foreign currency, the value will be estimated on the basis of regulations.

Article 142. Sworn Declarations and Payments

The administration will establish the time and form in which taxpayers and the responsible persons will make the declarations and payments.

Article 143. Forms of Payment

The tax will be paid in one of the following forms:

a) By issuing the documents on the appropriate stamped paper. In case the documents are issued on stamped paper whose value is lower than requested, by compensating for the difference with stamped paper, which will be properly registered.

b) By compensating for the documents issued in paper, or in stamped paper of lower than requested value, with revenue stamps.

c) By using sealing machines whenever authorized by an executive branch decree.

d) By issuing a taxpayer and withholding agent sworn declaration.

e) By issuing receipts by the appropriate offices, which will be run by the administration.

Article 144. Stamped Paper

Stamped paper will have the specifications established by the administration.

Article 145. Validity of Payment Documents

Stamped paper and revenue stamps will be invalidated only by an executive branch decision.

Article 146. Cancellation of Tax Stamps

The tax stamps used in the documents for paying taxes will be canceled by the signature or seal of the people who provided the stamp, by the public officials involved in processing the documents, or by the self-supported state or mixed-economy enterprises.

The signature or seal must cover part of the stamp and the internal revenue sealed paper on which the stamp is glued. The stamps must not be glued overlapping each other.

The pages of documents of administrative or judicial procedures will be stamped with seals of the administration by the officials in charge of the procedures.

The document that did not follow the previous procedures or in which the stamps are deteriorated, stained, or partially covered by overlapping stamps will be considered at fault.

Article 147. Exchange of Tax Stamps

The following tax stamps can be exchanged:

a) The fiscal stamps sold to the public if they are not canceled, stained, or deteriorated, and

b) The canceled internal revenue sealed paper without a signature, scratches, or the "name" of a public office, marks, or seals, and that is intact.

Article 148. Withholding Agents

The withholding agents are:

a) The banks or financial institutions in acts and mortgage contracts related to their activities of financial intermediation.

b) The public notaries or licensed officials in acts and contracts not included in clause a).

Regarding payments made through credits in accounting, transfer of accounts, or similar operations in which no receipts are given, the value of the tax will be withheld by the individual who made the payment, who is obligated to report it under a sworn declaration.

Article 149. Solidarity Obligation

The people who grant, endorse, authenticate, admit, submit, process or authorize acts, writings, or documents in violation of this law also will be responsible for the payment of taxes and fines.

In the cases of documents that by this law's regulation must be certified by the administration, the responsibilities for fines—if a lower amount is verified later on—will fall on the official who certified it. The taxpayer will only have to pay the tax owed.

Book V—Dispositions for General Application

Scope of Application

Article 150. Scope of Application

The dispositions contained in this book will be applicable to all the taxes collected by the Tax Collection Under Secretariat of the Finance Ministry, except for those controlled by the Customs Code.

Chapter I—Registration of Legal Address for Taxation Purposes

Article 151. Legal Address

Taxpayers and whoever has obligations must establish their legal address in the country, and they must state so in all their actions before the tax administration.

Such an address will be considered the legal one as long as changes are not reported. If the legal address registered according to the preceding paragraph was established in some part of the country that, due to its location, could hinder assessment and tax-collection activities, the administration may demand another legal address for the taxpayer. This new address must be registered within a 10-day period.

The address thus registered is, in principle, the only valid address for taxation purposes.

Noncompliance with the preceding norms enables the administration to register the taxpayer's address based on what is established in the following articles.

Without detriment to what is established in this chapter, those interested in establishing their legal address in a location in which they do not reside must apply for a special legal address in the local taxation administrative office of their interest.

Article 152. Address of Individuals

It is presumed that the address of individuals in the country is:

1) Their usual residence as long as they remain there for more than 120 days within a year.

2) In case they do not have a usual residence in the country or in case there are difficulties in determining it, the place where they carry out civilian or commercial activities.

3) The address of their representative.

4) The one chosen by the taxpayer in case he has more than one address as described in this article or in case there are doubts about the description of the cases described in the preceding items.

5) If the existence of his address cannot be determined, the place where the taxable activity took place will be considered as his legal address.

Article 153. Address of the Entities Constituted in the Country

It is presumed that the address of the entities constituted in the country is:

1) The place where their administration or directorate is established.

2) In case the address of their administrative office is not known or does not exist, the place where their main center of activities is located.

3) The place chosen by the taxpayer, in case there are doubts about the description of the cases mentioned in the preceding items.

If the existence of the address of the entities constituted in the country cannot be determined, the place where the taxable activity takes place will be considered their legal address.

Article 154. Address of Entities Established Abroad

The following norms have been established for entities established abroad:

1) If they have permanent establishments in the country, they are subject to the dispositions of Articles 151 and 153.

2) If they do not have a permanent establishment in the country, their legal address will be that of their representatives, who must comply with Article 151.

If the existence of their address cannot be determined in the country, their legal address will be considered as that where the taxable activity takes place.

Article 155. Permanent Establishment

The following cases are understood as being permanent establishments in the country:

a) Branches or agencies.

b) A factory, shop, industrial or assembly plant, or agro-industrial establishment.

c) Mines, quarries, or any other place where natural resources are exploited.

d) Construction or assembly works whose duration lasts more than 12 months.

Any individual who represents a foreign company in the country will be considered as a permanent establishment in the country if he usually has and exerts powers to make deals and sign contracts in the name of the company he represents, except for in the case his activities are restricted to the purchase of property or goods for the company.

Chapter II—End of an Obligation

Article 156. Means To End the Tax Obligation

The obligation to pay taxes ends through:

1) Payment
2) Compensation
3) Proscription
4) Remission
5) Confusion

Payment

Article 157. Payment

Payment is the cession of money by the taxpayer or individuals responsible for fulfilling the obligation.

The reception or withholding of money by an agent, on account of taxes created by this law, also is considered payment.

Article 158. Payment by a Third Party

A third party not involved in the obligation can make payments on the account of another taxpayer's obligation, but he only will be entitled to a credit on the return, the guarantees, preferences, and substantial privileges. [sentence as published]

Article 159. Place, Term, and Payment Conditions

Payments must be made at the location, in the terms, and in the manner indicated by the law or the corresponding regulation.

Article 160. Advance Payments

The obligation to make advanced payments, on a regular basis or not, on account of a tax obligation, is a tax mechanism that requires a resolution and must be explicitly ordered or authorized by the law.

The amount of the advance in the case of taxes that are paid periodically or regularly, and which are established through sworn testimony, will be determined by considering, among other factors, the taxpayer's estimate or the taxpayer's payments for previous periods, except when

the taxpayer proves that the situation has changed in the form and terms established by the law or the appropriate regulation.

Article 161. Extensions and Credits

Extensions and other credits only can be granted by the Tax Administration in accordance with the terms and conditions established in the appropriate regulation, and whenever the causes preventing regular payments are justified.

Extensions or credits will not be granted to withholding or receiving agents. The Tax Administration will be empowered to demand guarantees or request the precautionary measures deemed necessary.

If a credit request is submitted before the deadline for payment, the object amounts of the credit or extension only will pay interest at a rate that will be determined by the executive branch annually, and that will be less than what is charged for a delay in payments.

The Tax Administration will determine the amounts of the installments and the date after which payments must be made.

When the request is submitted after the payment deadline, the taxpayer involved will pay interest as mentioned in this article on the total amount of the delinquent debt plus fines as of the date the extension or credit is granted. The granting of credits or extensions will imply the suspension of any executive action to collect the debt that might have been initiated.

The Tax Administration will be authorized to annul any credit or extensions if the taxpayer does not fulfill his obligations regularly, or if he does not pay the other taxes collected by the same office that fell due after the credit was granted. In this case, the arrangement granted on the delinquent debt will be canceled and the appropriate charges will be added to each debt. After the decision to annul the agreement, all payments already made will be accredited first to interest. The remaining amount will be deposited in the account of each one of the debts included in the agreement in the proportion they participated in it. This will not prevent the Tax Administration from making another credit arrangements.

Article 162. Form of Payment

When the credit includes interest and fines, partial payments will be accredited first to interest or other charges, then to the tax debt, and last to fines.

When the taxpayer or the individual responsible for an obligation owes various payments on a single tax, the partial payment will be accredited to the oldest obligation.

When the debt includes several obligations on several taxes, the partial payment will be accounted to the tax elected by the taxpayer and to the oldest obligation in accordance with the same rule. If the taxpayer does not make a selection, the partial payments will be accredited to the oldest obligation.

Compensation

Article 163. Compensation

The taxpayer's tax credits, interest, surcharges, or fines for valid terms are automatically or by request liable to compensation beginning with the oldest one, notwithstanding what tax it may be, as long as the collection office is the same one.

In order to apply for compensation, the debt and the credit must be firm, liquid, and collectable. The administration may grant fiscal credit certificates to the taxpayers benefited by this system to pay either their credit or due debts.

The fiscal credit certificates may be passed by the taxpayer to other taxpayers so that they may pay the debt owed to the administration.

To all effects, the credits will be considered as paid by compensation at the moment the credit was made collectable to the taxpayer.

Prescription

Article 164. Prescription

The tax collecting action will be collectable after a five-year term, beginning on 1 January of the year after that in which the tax should have been paid. In the case of annual taxes on income or profit, it is understood that the term begins at the end of the fiscal year.

Actions to collect fines, interest, or surcharges will have the same term of prescription as that which corresponds to the respective tax. The terms for sanctions for cheating and infringement will be counted as of 1 January of the year after that in which the infractions were committed; for surcharges and interest, since 1 January of the year after that in which they occurred.

Article 165. Interruption of the Prescription Term

The prescription term may be interrupted in the following cases:

1) By a final inspection document [acta final de inspeccion] signed by the taxpayer or by two witnesses in case he does not want to sign it.

2) By a tax assessment made by the administration followed by a notification document, or by the taxpayer's sworn declaration. The date the prescription is interrupted will be that on which the notification of the assessment is issued or when the sworn declaration is presented to the administration.

3) By express or tacit acknowledgement of the obligation by the taxpayer.

4) By partial payment of the debt.

5) By a request for an extension to pay or a request for any other credit.

6) By legal actions for collecting an already assessed and notified debt.

Once the prescription term has been interrupted, the previous time that has elapsed will not be counted and a new five-year term will begin to be counted. This new term may be interrupted by the reasons pointed out in items 2 and 5 of this article.

The prescription to collect sanctions, interest, and surcharges may be interrupted for the same aforementioned reasons and in all cases in which the prescription term is interrupted for the corresponding taxes.

Article 166. Suspension of the Prescription Term

If the taxpayer presents any petition or undertakes any administrative or legal procedure, the prescription term will be suspended until a definite tacit action is taken, an express definite action is notified, or a sentence is issued in his case.

Article 167. Subsistence of Natural Obligation

Whatever is paid for a prescribed obligation cannot be doubled or repeated, even if the payment was made without knowledge of the prescription.

Article 168. Pardon

The tax obligation only may be pardoned by law. The interests, surcharges, or sanctions only may be reduced or pardoned by administrative resolution in the form and conditions established by the law.

Article 169. Confusion

Confusion is the case when the tax collector is placed in the situation of the taxpayer, as a consequence of a transfer of taxable goods or rights.

Chapter III—Violations and Fines

Article 170. Tax Violations

Tax violations are default payment, infringement of regulations, nonpayment, and fraud.

Default Payment

Article 171. Default Payment

Default payment means not paying the tax debt at the appropriate time and place.

The default payment will be sanctioned with a fine to be calculated on the amount of tax not paid. The fine will be 4 percent if the default is not more than one month; 6 percent if the default is not more than two months; 8 percent if the default is not more than three months; 10 percent if the default is not more than four months; 12 percent if the default is not more than five months; and 14 percent if the default is more than five months. All the terms will be computed from the day after the deadline for the unpaid tax.

The default payment also will be sanctioned with an overcharge or monthly interest calculated on a daily basis to be established by the executive branch, which can be increased up to 50 percent until the obligation is paid. But the interest cannot be more than the regular market interest charged by the Central Bank on loans to commercial banks in force when the calculation was made.

The executive branch will fix the overcharge or interest rate quarterly for the following four calendar months. If no new rate is fixed the latest rate will continue in force.

Article 172. Fraud

The taxpayers, responsible officials, and third parties who have no legal links with the tax and who—for the purpose of obtaining an illegal benefit for themselves or for third parties—carry out any act, omissions, simulation, concealment, or maneuver against the government are considered to have defrauded the government.

Article 173. Presumption of Attempted Fraud

Attempted fraud is presumed in the following cases unless the contrary is proven:

1) Evident contradictions in the books, documents, or any record with the information given in the sworn declaration.

2) Absence of accounting records when it is an obligation to have them or when the accounting registers have been overdue for more than 90 days.

3) Sworn declarations with false information.

4) Omission of goods, activities, operations, sales, or benefits that imply an incomplete tax declaration affecting the tax calculation.

5) Provision of wrongful information about activities and businesses pertaining to sales, income, purchases, expenses, assessment of stocked merchandise, invested capital, and other similar factors.

Article 174. Presumption of Fraud

Fraud will be presumed to have been committed in the following cases except when the contrary is proven:

1) By improper trade of official seals and tax control instruments, as well as the trade of stamp taxes at prices different from their official prices.

2) When the people who are obliged to fill in accounting books do not have them, or if they fill them in without following tax norms, or if they hide or destroy them.

3) By falsifying the date or place of issuance of the documents that require taxes.

4) When the taxpayer resists any inspection ordered by the administration.

5) When the retention agent omits presenting the tax documents for more than 30 days.

6) When the taxpayer or those responsible for paying taxes according to the current legal dispositions do not comply with the legal requisites of registering with the tax administration within the established terms.

7) By using merchandise or products that benefit from tax exemptions for purposes different from those for which they were exempted.

8) By hiding taxable merchandise or goods even without violating the customs laws.

9) By clandestinely manufacturing with or trading taxable goods that escaped fiscal control, improperly using stamp taxes, official seals, and other control methods, or by destroying or changing the characteristics of the goods, hiding them, changing their destination, or indicating a false remittance.

10) By failing to issue invoices pertaining to sales when one is obliged to or when copies of the invoices are not kept until they are prescribed.

11) By using forged, used, withdrawn-from-circulation, washed, or adulterated tax control instruments.

12) By declaring, admitting, or presenting to the administration forms openly contradictory with the reality of the taxable goods.

Article 175. Penalty and Degrees

Fraud will be penalized with a fine of one to three times the amount of the fraud or attempted fraud.

The degree of the penalty must be justified through a resolution that must consider the following:

1) Repetition, which will occur when two or more violations of the same kind are committed within a period of five years.

2) Continuity, which is the repeated violation of a norm as a consequence of the same fault.

3) Relapse, which will occur when an individual commits a violation of the same kind as previously committed within a period of five years after the administration issues and implements a resolution penalizing him for the first violation.

4) The condition of the public servant of the individual who committed the violation when his position has been used to aid in the violation.

5) The violator's education and his opportunity to use legal advice.

6) The importance of the damage to the Treasury and the violation's characteristics.

7) The violator's attitude at the time of clarifying the facts involved in the violation.

8) The spontaneous presence of the violator to pay his tax debt. His presence will not be deemed spontaneous when the individual presents a proposal after an inspection made or ordered by the administration.

9) Other attenuating or aggravating circumstances resulting from administrative or jurisdictional proceedings, even though they are not explicitly mentioned in this law.

Infringements

Article 176. Infringement

Infringement is the violation of laws or regulations issued by the appropriate organizations establishing formal obligations.

Infringement also is the participation in acts to hinder the Tax Administration in implementing decisions or supervisions.

This violation will be penalized with fines from 50,000 guaranies to 1 million guaranies.

When applicable, authorities will consider the aggravating and attenuating circumstances established in Article 175.

Nonpayment

Article 177. Nonpayment

This violation involves an act that is not included in the previous definitions but which causes a reduction in tax collections.

It will be penalized with a fine of up to 50 percent of the unpaid tax.

Article 178. Accumulation of Penalties

Charges or interest and fines on defaults will accumulate on top of other fines applied to other violations.

Article 179. Fixed Taxes and Fines Adjustment

Fixed taxes and fines established for penalties on taxes collected by the administration, including those establishing a minimum and maximum, will be adjusted annually by the executive branch, based on the consumer price index variation for the 12 months prior to 1 November of each year. The variation will be calculated in accordance with the information released to that effect by the Paraguayan Central Bank or the appropriate official organization.

Article 180. Violators

The responsibility for tax violations, regardless of their definition or the punishment established by the penal code, is the individual's, except when established otherwise by this law.

This responsibility concerns individuals for acts committed by himself or individuals under his responsibility affecting his obligation to pay or withhold taxes, or to make sworn testimony; or it concerns third parties for infringing laws, regulations, or administrative dispositions, or for cooperating to violate them or hinder their observance.

Article 181. Violations by Entities

Companies or entities can be penalized without the need for establishing individual responsibility.

Company directors, managers, administrators, or presidents will be penalized for their personal participation in a violation regardless of the established individual or company economic responsibility.

Without affecting the pecuniary responsibility of the individual or corporation, their representatives—directors, managers, administrators, or agents—will be penalized for their personal responsibility in the violation.

Chapter IV—Responsibilities

Article 182. Responsibility of the Representatives

The legal and voluntary representatives who do not have a diligent attitude regarding tax regulations will be held equally responsible for the taxes to be paid by those whom they represent. This responsibility is limited to the value of the assets they administer or can dispose of. Responsibility will be unlimited if the representatives acted with criminal intent.

Article 183. Responsibility of Those Who Purchase Businesses

To conclude the transaction, those who purchase businesses, and other successors of active and inactive of companies in general, will have to request the appropriate certificate stating that they do not owe taxes. In case the certificate is not requested or contains a remark, the successors also will be responsible for the previous owner's taxes, interest, punitive interest, or fines. This responsibility is limited to the value of the assets being received, unless the successor acted with criminal intent. The responsibility will end one year after the date when the collecting office was informed of the transfer, i.e., the date when the certificate stating the successors owe no taxes was requested.

Article 184. Responsibilities of Individuals and Corporations and Their Representatives Regarding Violations

When an agent, representative, administrator, or person in charge violates a tax regulation, the individuals and corporations are held equally responsible for the pecuniary penalties.

Individuals or corporations, and employers in general, will be held equally responsible for the pecuniary penalties inflicted on their dependents when they act as such.

The representatives will be held equally responsible for the pecuniary penalties inflicted on those whom they represent for violations in which they had active participation.

Article 185. Responsibility Exemptions Regarding Violations

There is an exemption from responsibility in the following cases:

1) Mentally incompetent people who do not have a legal or court-appointed representative. When mentally incompetent people have a representative, both will be held equally responsible but the mentally incompetent person only will be responsible up to the amount of the benefit of profit obtained.

2) Major force or case of emergency.

3) An excusable error based on a mistaken interpretation of the law, which led the offender to believe that his action or omission was legal.

Chapter V—Taxation Administration Powers

General Instructions or Rules

Article 186. Administration Powers

The administration will provide managerial interpretation of the regulations affecting taxes, and will establish general rules for administrative procedures, issue instructions, and undertake the necessary action for the enforcement, management, supervision, and collection of taxes.

The norms established under the terms of the previous paragraph will conform to the laws and regulations, and will be mandatory for all officials and those private individuals who have either tacitly or specifically agreed to them, and for those who have unsuccessfully appealed to the appropriate offices, in keeping with the terms of the second and third paragraphs of Article 187.

Article 187. Jurisdiction and Rejection

The norms referred to in the previous article may be modified or repealed by the issuing official or his superior.

If norms violate the law, whoever has his rights or legitimate personal interest harmed by such norms may question them.

The resolutions adopted by virtue of the norms mentioned in the previous paragraph also may be questioned even if they were not appealed.

Article 188. Validity and Publication

The regulations and the other general managerial rules will be enforced as of the date following publication in two national circulation papers, or—after publication—as of the date set forth by such regulations. If regulations are to be complied with exclusively by officials, they will be enforced as of the aforementioned date, or as of the date officials are notified of such regulations.

If the Tax Administration changes its interpretation or criterion, the new criterion or interpretation will not be retroactive.

Supervision and Control Powers

Article 189. The Administration's Powers

The Tax Administration Office will be granted full administrative and control powers. It will be mainly empowered to:

1) Promulgate norms on the methods and conditions to be followed by taxpayers on issues related to documents and the registry of operations. It also will be empowered to approve or authenticate books and bills of sale for tax operations and forms for sworn statements and tax payments.

2) Demand that taxpayers use books, files, registries or that they supply special or additional documents on their operations. It can authorize some taxpayers to carry out simplified accounting, and it can exempt them from issuing certain receipts.

3) Demand that taxpayers and responsible agents produce those books and documents linked to taxable activities, and summon them to supply information.

4) Seize or withhold—based on a court order—books, files, documents, handwritten or computerized registries, for a period of up to 30 days. This period can be extended only once. The Tax Administration Office will be empowered to take the required measures to secure the aforementioned documents depending on the seriousness of the case. A lower civil and commercial court will hear the case and hand down its decision within 24 hours. An appeal will render this decision unenforceable.

5) Demand information from third parties on actions they helped to carry out or which they learned while performing their activities, and that they produce documents related to these situations if linked to tax matters. It will not be empowered to demand information from:

a) Professionals—including bankers—who, based on express legal provisions, can claim confidential communications.

b) Religious ministers on matters related to their activities.

c) Those whose statements could involve the violation of a secret letter or communications as a whole.

6) Designate the inspected party as legal custodian of the goods, tax and accounting books, documents, or any valuables in sealed packages signed by the inspecting employee. The inspected party will thus assume responsibilities as a legal custodian for the items entrusted to him.

These goods can be released if an equivalent cash deposit or any other form of guarantee approved by the administration is made.

In the case of goods, forged or reused fiscal seals, or irregular sales of fiscal seals, or in case those subject to inspection refuse to take charge of the deposits, the valuables, documents, or goods will be under the administration's custody and the appropriate receipts will be issued.

7) Conduct inspections in locations occupied by taxpayers, the responsible ones, or third parties. If they oppose inspection, the court will be asked to order raids on the locations in keeping with the law. A lower civil and commercial court will be in charge of making the decision within 24 hours after the request is made.

8) Control the drafting of the inventory, compare the inventory with the existing items, and draft the inventories.

9) Summon taxpayers and those responsible, as well as third parties believed to have participated in the irregularities being investigated, to reply the questions or demands that are made. The appropriate record will be outlined and signed by those mentioned previously.

In order to comply with all its attributions, the administration will be able to request the cooperation of the judge, who in turn will request the support of the police, who will provide immediate assistance with the required personnel to fulfill the task.

Chapter VI—Duties of the Administration

Article 190. Secrecy of the Actions

The declarations, documents, information, or accusations received by the administration will be kept confidential and can only be used for matters related to the administration.

The administration employees cannot release to third parties any of the confidential information they have. If they do they will be subject to dismissal and also face charges for their personal, civil, or penal responsibility.

The individuals who do not belong to the Tax Administration but who work for it in data processing or other work in handling the confidential information will have the same responsibility as administration employees.

The information described in this article can only be given to the jurisdictional organizations responsible for taxes, tax collection, fiscal violations, common debits, food allowances, and family or marriage matters when it is believed that the confidential information is absolutely necessary to carry out their tasks and when it is requested for a well-founded reason. The same secrecy and sanctions established in the second paragraph will apply on the case.

Article 191. Access to Information

The individuals or their representatives and lawyers can have access to the actions carried out by the Tax Administration on matters concerning them. They can study the documents, and request at their cost copies or authenticated copies of the documents, for which they must give their identity and reasons for their request.

Chapter VII—Duties of the Taxpayers

Article 192. Duties of Taxpayers and Responsible Representatives

The taxpayers and responsible representatives, even those expressly exempted from taxes, are obligated to facilitate the administration's supervision and control tasks. They also will have the following responsibilities:

1) When required by law, regulations, or general instructions ordered by the Tax Administration, they must:

a) Do the accounting, files, and registries, and give documents and receipts related to their activities and operations under the forms and conditions established by the regulations.

b) Register in the appropriate registries, providing the necessary information and notifying of any changes.

c) Submit the appropriate declarations.

2) Keep in an orderly manner—while the tax is unpaid—the book accounts, special registries, and documents on operations and situations related to taxable items.

3) Facilitate to officials authorized by the administration the inspection and control operations in establishments, offices, warehouses, ships, airplanes, and other means of transportation.

4) Present to officials authorized by the administration the declarations, reports, documents, and receipts related to the purchase of merchandise involving tax obligations, and to make the necessary additional explanations if requested.

5) Come to the administration's offices when their presence is required.

6) Adjust the system for accounting, preparing, and evaluating inventories to the Tax Administration's regulations to help establish a more adequate accounting system in accordance with tax legislation.

7) Notify about the close of business or activity within 30 days after the business was closed by submitting a tax declaration, a balance sheet, and the receipt of the paid taxes if necessary by the terms established by the administration.

Article 193. Obligations

The formal obligations must be fulfilled:

1) By the individuals themselves.

2) In the case of companies, by their representatives.

3) In the case of companies without legal statute, by the person who manages the goods.

4) In the case of married couples, family groups, inheritors, and trustees, by their representatives, administrators, executors, trustees, or individuals named by the group members or any of the individuals involved.

Taxpayers' Certificate

Article 194. Certificate System

A certificate system to be administered by the Tax Revenue Under Secretariat [Sub-Secretaria de Estado de Tributacion] is hereby created. This certificate will prove that the taxpayer and any other responsible individual has honored all his taxes and related payments.

The certificate must be obtained after:

a) Obtaining municipal licenses in general.

b) Signing contracts recorded by an official notary obtaining or canceling a mortgage in the capacity of mortgage holder.

c) Participating in bids or tenders.

d) Obtaining or renewing loans with financial intermediary enterprises.

e) Selling real estate, vehicles, and other property on the list of capital assets established by the regulation.

The certificate, for the sole purpose of what is established in the next paragraph, will certify that its holders have honored the taxes required at the moment the application for a certificate is submitted.

Failure to fulfill the mentioned requirement will prevent the registration of acts that are liable for registration and will prompt a liability in solidum for those who granted the certificate, as well as secondary liability for the notary publics involved, regarding the obligations that were not honored.

The administration should issue the mentioned certificates in less than five working days, starting on the day in which the application for the certificate was submitted. Otherwise, the interested person may substitute this certificate for a stamped copy of the certificate application and a notary's attestation that the certificate was not issued.

The administration will regulate the way this system will function.

In the case of controversies at the administrative or jurisdictional level, the certificate will be issued making note of said controversy, which will not prevent carrying out the aforementioned actions.

Chapter VIII—Public Servants' Duties

Article 195. Information and Surveillance of Public Enterprises

The servants of all public organizations and enterprises have the duty to give the Tax Administration all the information it may request in order to supervise and control taxes. The heads of public registries will inform the Tax Administration about any taxable acts or contracts signed before them or that they are requested to register.

When the offers are opened for any bid or tender, the bidder will present the certificate mentioned in the above article. Fulfillment of this requirement will be duly recorded. Failure to present the aforementioned certificate will automatically disqualify the guilty bidder.

Chapter IX—Actions and General Proceedings of the Tax Administration Office

Article 196. Actions of the Administration Office

The Tax Administration Office's actions are considered legitimate unless proven otherwise whenever the actions comply with rules and regulations regarding their area of competence, their legality, and whenever they conform to forms and proceedings. The Tax Administration Office may authenticate any cancellations and amend any errors unless legal proceedings have been started against these actions.

Article 197. Appearance

The interested parties may carry out proceedings personally or through representatives or designated parties authorized through either public or private documents. The party may appear without a certificate of his representation, but this representation must be certified or the represented party must approve the proceedings within 15 working days after the start of the proceedings. The deadline can be extended another 15 days with the warning that he failed to appear.

The party must personally appear whenever he has to testify before administrative or jurisdictional organizations.

Article 198. Establishment of Address

In his first proceeding, the interested party must establish his address in compliance with Article 151.

The presentation's date will be written in the statement, and the interested party will be issued an immediate receipt if requested.

A special address may be established that will be valid only for the respective administrative proceedings.

Article 199. Activities of the Tax Administration Office

The administration office's activities and procedures must be carried out during working days in compliance with normal regulations, unless the nature of actions and activities demand otherwise and have to be carried out on special days and outside working hours. In this case, a special court order will be required.

Article 200. Personal Notifications

Those resolutions establishing taxes, fines, the allocation of resources, temporary openings, and, in general, all activities that demand compulsory taxes, will be personally given to the interested party at the office or home address established in the proceeding, and, if there is none, it will be sent to the business address.

Personal notifications will be directly sent to the interested party, who will have to sign it personally, sign it through a representative bearing the notified person's identification card, or by acknowledging its receipt through a courier message or certified telegram. The notification's effective date is the date of appearance or nonappearance written in the proceedings whenever notification dates have been preestablished.

In addition, the receipt of the notification or the certified telegram will be attached to the proceedings on the day it is received. If the notification is sent on a non-working day, it will become effective on the next eligible date.

If the address is not known, the interested party will be summoned through edicts published for five consecutive days in a major newspaper, with the caveat that the proceedings will continue if his nonappearance is not properly justified.

The person will be considered tacitly notified when after being notified of the proceeding, the person carries out any action or proceeding that proves or presupposes his knowledge of the notification.

Article 201. Written Notifications

The resolutions not included in the first paragraph of the former article will be notified at the administration's office. If the notification was delayed for five work days as the result of the taxpayer's absence, it will be considered as notified and the taxpayer's absence will be put on record in the file. The same procedure will be applied in the notification of all the resolutions when the taxpayer does not comply with Article 198, except in the case of

resolutions that determine taxes or impose sanctions, which will be notified in person, according to what is established in the former article.

Article 202. Means and Discovery Period

When there are substantial, pertinent, and controversial facts, the Tax Administration will grant the taxpayer a nonperemptory discovery period that may be extended by request and whose term of duration, form of evidence, and procedure to obtain it must be recorded. In matters subject to mere legal interpretation, the discovery period will be omitted either by the taxpayer's request or the administration's initiative.

Evidence in the form of documents may, nonetheless, be presented together with the initial presentation or petition.

All the evidence accepted by law, compatible with the administrative procedures, will be admissible, except the reply to interrogatories of Tax Administration officials or employees.

Article 203. Procedure and Evidence Called For by the Judge

The administration will proceed and issue additional measures to make a better decision.

Article 204. Pleadings

Once the discovery period expires or by order of the administration, the taxpayer may present, within a peremptory 10-day period, his plea on the conclusions of his case.

Article 205. Resolutions

The administration must issue a resolution within a 10-day period, beginning when the matter of discussion is in the state of being resolved, which will begin once the period to present pleadings referred to in the previous article expires or when the administrative proceedings in which there was no room for a discovery period have concluded.

The resolutions, in case they correspond, must be founded on facts and law, they must take the evidence into account, and they must settle the issues questioned in the procedure or action.

The resolutions also must comply with the formal requisites of recording the date and place of issuance and the names of the taxpayer and the administrative official who issued the resolution.

If the time mentioned in this article's first paragraph expires and no resolution has been issued, it is presumed that the plea has tacitly been rejected, allowing the taxpayer to present whatever action or plea is in order.

The expiration of the period mentioned in this article does not exempt the administration from issuing a resolution.

Sworn Statements by Taxpayers and Estimation of Tax Amounts by the Administration.

Article 206. Obligation To Take Initiative in Filing a Tax Statement

If a taxpayer engages in activities regarded by the law as taxable, he and the responsible agents must comply with the duty of filing a tax statement on their own unless action by the respective tax office is required. In the latter case, a report on the taxable activity containing the required information to calculate the tax amount must be filed.

Article 207. Tax Statements by Taxpayers and Responsible Agents

Statements filed by taxpayers and their responsible agents must be sworn statements and must:

a) Contain all the required information and data needed for calculating, estimating, and auditing the tax as required by law, regulation, or resolution of the administration.

b) Faithfully match the respective documents.

c) Include the enclosures required by the law or authorized by the existing regulations.

d) Be filed at the place and date established by the administration in accordance with the laws and regulations.

Those signing tax statements will be responsible for their accuracy and truthfulness.

Article 208. Rectification, Clarification, and Amplification of Sworn Statements

Sworn statements and their annexes must be modified to correct errors. These modifications will not exempt, however, the taxpayer from facing charges for any violation he may have committed.

The administration may demand the rectification, clarification, or amplification it may deem appropriate.

Calculation of Tax Amount

Article 209. Calculation of Tax Amount

The calculation of the tax amount is an administrative action designed to establish both the existence of and the amount of the tax obligation. It is binding and mandatory for all parties.

Article 210. Determination Procedure

The administration will proceed to calculate the tax amount to be paid in the following cases:

a) In those cases established by the law.

b) When tax statements have not been filed.

c) When the required recalculations, clarifications, or amplifications have not been submitted on time.

d) When the statements, recalculations, clarifications, or amplifications leave doubts about their truthfulness or accuracy.

e) When Tax Administration auditors verify the existence of debts.

Article 211. Tax Calculation Based on Specific or Presumed Data, or a Combination of Both

Calculation of the tax amount must be carried out applying the following systems:

1) Based on specific data, taking into account existing elements that can be instrumental in getting a firsthand knowledge of the taxable activity and in calculating the tax amount.

2) Based on presumed data, taking into account facts and circumstances related or connected to the taxable activity and that can lead one to assume the existence and estimate the amount of the tax.

Among other facts and circumstances, one must take into account those signs or presumptions instrumental in estimating the existence of the tax and in estimating its amount, as well as average figures, indexes, general sales coefficients and ratios, income, profits, and other relevant factors of related activities or undertakings.

3) Based on a combined system, that is, partly on specific data and partly on presumed data. To this end, one can use part of the taxpayer's accounting report and disregard another part of it based on its degree of reliability.

Calculations based on presumed data will be appropriate only if the taxpayer fails to supply reliable elements of judgment for calculating the tax amount on the basis of specific data and if the Tax Administration does not have access to such specific data. This will in no way mean that the Tax Administration should substitute for the taxpayer or his responsible agents in discharging their formal and essential duties. Calculations based on presumed data cannot be contested on the basis of evidence requested by the Tax Administration and that the taxpayer had failed to produce within the established deadline.

In all cases, the taxpayer still will be accountable for any difference that was not included in the estimated tax amount.

Article 212. Procedure for Establishing Taxes

In the cases provided for in clauses b) through f) of Article 210, the Tax Administration will—at its own initiative—establish the taxes, based on specific or presumed data, or on a combination of both, conforming to the following administrative procedure:

1) Once the existence of unpaid taxes has been established, or once evidence has been gathered leading to the supposition that there are unpaid taxes, a qualified official will write a detailed and properly documented report identifying the alleged debtor and specifying the unpaid taxes and the rules that were violated.

2) If the alleged debtors participate in the proceedings, a document will be written that will be signed by the debtors, who may add notes as they deem appropriate. If the debtors refuse to sign or cannot sign the document, the official in charge will say so in the document. Except for the contents of the notes added by the debtors, their signatures only will serve as evidence that they participated in the proceedings reported in the document. Unless proven false or inaccurate, the document will be considered as accurately reflecting the proceedings.

3) The Tax Administration will make the proceedings available to the alleged debtors for 10 days, during which time debtors will have access to all administrative actions in the case. During this period, debtors also may be asked to submit the omitted statement or to correct, clarify, or expand any statement that already has been submitted. If the new statement is found to be satisfactory, the Tax Administration will immediately collect the corresponding tax and its addenda, thus terminating the procedure.

4) Upon conclusion of the 10-day period, which may be extended an additional 10 days, the taxpayer or responsible person will submit his appeals or meet the appropriate conditions, and will supply evidence.

5) After an answer has been received, a 15-day period will be declared, if appropriate, for confirmation of evidence. This period may be extended another 15 days. The administration may, at its own initiative or at the taxpayer's request, order implementation of measures to expedite the proceedings within the time established by the administration.

6) If the taxpayer or responsible person expresses his agreement with the computation of the taxes, the tax amount will be immediately established. The same procedure will be followed if the collection of the tax, referred to in clause 3) above, is not made.

7) Upon termination of the periods for confirmation of evidence and expediting the procedures, the taxpayer may file his appeal within a 10-day period.

8) Upon termination of the period established in the previous clause, the Tax Administration will establish the tax within 10 days.

This procedure may be performed simultaneously with the procedure described in Article 225 for the imposition of sanctions, thus issuing a single resolution.

Article 213. Special Presumptions

The following presumptions will be in force to determine tax debts, but proof to the contrary will be accepted for the specific cases listed below:

1) When omissions are verified in the sales and income registries in two consecutive months or in any four months of the calendar or commercial year already passed, the total sales or income declared in the calendar year will be increased in proportion to the omissions verified in the sales and income declared for those months. The same procedure will be applied if omissions of more than 10 percent of the sales or income registered in that month are verified. In the two cases, it is presumed that the increase is the profit in the calendar year.

2) When omissions are verified in the purchase and expenditure registries in two consecutive months or in any four months of the calendar or commercial year already passed, the total sales or income declared in the calendar year will be increased in proportion to the omissions verified in the purchase or expenditure registered in those months. It is presumed that the increase is the profit in the calendar year.

3) If fixed assets are not registered, and omissions or forgery in the registration of investments are verified, it will be presumed that the investments were made as a result of omission or forgery in the sales and income registry. It is, therefore, also presumed that investments also were made in the previous calendar year of the omission's discovery. Therefore, the profits and sales in that calendar year must be increased to the amount of the omission of the investments or assets detected.

If the disappearance of fixed assets is verified, clause 1) of this article will be enforced for the cases of omission in the sales registry.

4) If a smaller amount of merchandise than the one registered in the inventory is found, clause 1) of this article will be enforced for the cases of omission in the sales registry. If a larger amount of merchandise than the one registered in the inventory is found, clause 3), paragraph one, will be enforced.

Article 214. Nonaccumulation of Presumptions

Should the application of special presumptions raise the possibility of duplication, the results will not be accumulated. Only that which has the largest taxable base will be considered.

Article 215. Formal Requirements for Estimating the Tax Amount

A document that includes an estimated tax amount must meet the following requirements:

1) Place and date.

2) Identification of both the agency issuing the document and the taxpayer or responsible agent.

3) Specification of the amount of overdue tax and of the respective fiscal periods.

4) Evaluation of the evidence produced by the taxpayer to support his claims.

5) Formal and substantive reasons for estimating the tax amount.

6) Special presumptions, if the estimation was based on them.

7) Specify amounts, with a breakdown of amounts pertaining to taxes, interest or additional charges, fines, and the respective fiscal periods.

8) An order in which notification is made of the tax estimation.

9) Signature of the competent official.

Article 216. Revocability of a Document Estimating a Tax Amount if It Has Not Yet Fallen Under the Statute of Limitations

The administration can ex-officio recalculate—on the basis of specific data—a tax amount it had estimated on the basis of special presumptions. It can also make any modification, correction or addition that may be required in light of facts, evidence, or information that were unavailable earlier; or if the previous estimation was based on false or incomplete information or on factual or legal errors. Amendments to a document estimating a tax amount can either benefit or harm the taxpayer.

Procedure for Tax Returns in Cases of Undue Payment or Overpayment

Article 217. Tax Returns

The undue payment or overpayment of taxes, interests, charges, or fines will be the base for tax returns.

The return on taxes authorized by laws or regulations on account of incentives, exemptions or tax abatements will be regulated by the law or the regulation granting them, and will be subject to this proceeding only as an alternative.

Returns for overpayments made on account of tax bills or advance payments will be made automatically or in accordance with approved proceedings.

Article 218. Justification for Tax Returns

A tax return will be justified when the payment was made through a sworn testimony or by fulfilling an approved tax decision.

Article 219. Legitimate Claim

The successors of those who overpaid or third parties involved in overpayments will be able to file tax return claims. In all cases, in order to have the right to claim a tax return, the individuals filing the claim must have the written authorization of those who really bore the economic burden of the undue payment.

Article 220. Legitimate Claims in Cases of Transfer, Withholdings, or Unduly Collected Taxes

The amounts transferred, withheld, or unduly collected on account of tax debts must be deposited in fiscal accounts which will answer for the tax return claims made against the administration. An individual who filed for a tax return will receive the return if he can prove that he is presenting the claim with the authorization of those who bore the economic burden of the undue payment, or that he repaid them the respective amounts. Otherwise the claim must be made in the name of those who actually made the overpayment.

Article 221. Expiration of a Taxpayer's Credit

Credits or claims against a taxpayer will expire four years after the date on which the taxpayer became a subject of the credit or claim.

The expiration will operate on a monthly basis. The deadline will be suspended by any founded administrative or jurisdictional claim by an interested party for a return or payment of a determined amount.

Article 222. Jurisdiction and Proceeding

The claim will be submitted to the administration. The administration might approve the claim based on the arguments submitted with it or it might give the claimant 15 days to submit proof to support his claim. The administration will have 30 days to issue a resolution at the end of this period, provided other measures or proof are not ordered. The 30-day period will begin on the date the submittal of proof ended, or the additional measures were fulfilled, whichever the case.

The fact that a resolution is not issued within this period will imply that the claim is rejected. In this case the claimant may pursue the case making other administrative petitions.

The restitution will be paid in cash, except when compensation for a tax debt is applicable, in accordance with this law.

The national budget will create a fund for tax returns. The lack of an appropriation will not prevent restitutions which will be made within 30 days following a firm resolution granting them.

Article 223. Contents and Scope of the Resolution

If the claim is approved, overpayment of interests or surcharges and fines will also be restituted ex officio. Likewise, payments of the same origin or of the same nature of those that prompted the claim for restitution made while proceedings are carried out will be restituted ex officio.

Procedures for the Application of Penalties in Cases of Violation of the Tax Law

Article 224. Jurisdiction

Unless a special legal resolution determines a different jurisdiction, the administration, through its specific organs, will start procedures for the application of administrative penalties in cases of violation of the tax law.

Article 225. Procedures for the Application of Penalties

Except in the case of violation caused by delay of payments, determination of the type of infraction and the application of penalties will be subject to the following administrative procedure:

1) Once it has been established that the tax law has been violated or that there is evidence of a possible violation of the tax law, an authorized administration official will issue a duly documented and detailed report that will identify the violator or violators and will describe in detail the violation being punished, the deeds and omissions it may result in, and the violated rule.

2) If the violator or violators participate in the proceedings a notarial certificate will be issued that will be signed by the violator or violators who may make any comments they deem necessary: If they refuse or are unable to sign the certificate the administration official will make a note mentioning this. Except for declarations by the violator or violators, their signature will merely imply that they were present or participated in the proceedings carried out by the authorized officials mentioned in the notarial certificate. The certificate will certify the proceedings unless it is proven false or inaccurate.

3) After notifying the violator or violators, the administration will give them 10 days to answer charges allowing them free access to administrative procedures and information related to their case.

4) During these 10 days, which can be extended for another 10 days, the violator or violators may refute charges and present evidence in their favor.

5) Once the violator or violators have been answered, a 15-day trial period, which may be extended for another 15 days, will be established. Moreover, the administration, through its own decision or through the party's request, may order fulfillment of additional measures to obtain further information in order to make a better decision within a period of time it may determine.

6) If the violator or violators accept the charges, the corresponding administrative penalty will be applied.

7) Once the deadline for presenting proof and obtaining further information in order to make a better decision has expired, the interested party may submit his plea within the next 10 days.

8) Once the aforementioned deadline has expired, the administration must, within 10 days, issue the corresponding penalty as established by Article 236.

The aforementioned procedures may be carried out together with those established by Article 212 to establish the amount of money owed for the tax or taxes and result in a single resolution.

Procedures for Enforcing Precautionary Measures

Article 226. Precautionary Measures

When a risk in collecting taxes exists as a result of the possible disappearance of the goods on which the taxes must be paid or for other similar serious reasons, the administration—through the Treasury Attorney—can ask the appropriate judge to implement the following precautionary measures:

1) Preventive embargo of the goods.

2) Appointment of special company inspectors.

These special inspectors must be public officials with university degrees who will get no additional pay for this work.

Special inspectors will have the main function of watching over the funds of companies. They will have the following functions:

a) Make sure that taxes are paid.

b) Watch over the company's routine expenditures and investments.

c) Demand the regular payment of all taxes owed and of all installments agreed with the administration, making sure that the taxes are paid in accordance with the legal terms or regulations.

d) Inform the tax office about cases in which the taxpayer is not able to fulfill his tax obligations or when, because of his conduct, there is a risk of not paying his taxes, and propose the necessary measures, and alternatives for these cases.

The declaration of bankruptcy automatically stops the special inspection.

3) Implementation of seals, locks, and other security measures.

4) Other precautionary measures in accordance with the Civic Code.

The measures can be replaced by guarantees and enough securities which is to be decided by the judge in charge of the case.

Article 227. Requirements

In order to request any precautionary measure, the administration must prove a risk of losing the tax payment or the urgency to implement it according to each case. No counter-precautionary measure will be demanded from the administration.

Once the precautionary measure has been ordered it will be enforced without any other steps or advising the other party who, in any case, will be notified personally or by note within three days of the enforcement of the measure. The resolutions authorizing the precautionary measures can be appealed but the measures cannot be suspended. Only a resolution can suspend the precautionary measure.

Article 228. Jurisdiction and Procedures

The first circuit civil judges have jurisdiction on precautionary measures.

The judge will order the precautionary measures within two days and, according to the nature of the measure, will establish the term of its enforcement. The measure can be extended for the same length of its enforcement as long as the same reasons for ordering the measure still exist at the expiration date. An act must be written when the precautionary measure is implemented.

Court Procedure for Obtaining a Writ of Execution on a Tax Credit

Article 229. Executive Fiscal Title

The administration, through the Treasury Attorney, will seek a writ of execution to collect tax credits, fines, and interest or additional charges, as long as they have already been liquidated or can be liquidated.

A certificate from the administration specifying the debt will be sufficient fiscal evidence to warrant a writ of execution.

Article 230. Formal Requirements of a Debt Certificate

To make this administrative document sufficient fiscal evidence for warranting a writ of execution, it will have to meet the following requirements:

1) Place and date of issuance.

2) Name of the debtor.

3) Specification of the nature and amount of the credit, mentioning the type of tax or required advanced payment, fines, interest or additional charges as well as the corresponding fiscal year.

4) Name and signature of the tax under secretary.

Article 231. Court Procedure for Collecting Tax Credits

The collection of tax credits through court procedures will be based on the provisions of the Civil Procedure Code for enforcement of court decisions.

The following peremptory exceptions will be admissible:

a) Inadequate substantiating evidence.

b) Lack of obligation by sued party.

c) When the sued party has contested the tax credit in an administrative court.

d) When the tax debt no longer exists.

e) When a waiting period granted to the sued party is still in force.

f) Other exceptions established in the Civil Procedure Code for the enforcement of court decisions.

The peremptory exception of lack of substantiating evidence is applicable when the tax certificate does not meet the formal legal requirements or when there is a discrepancy between the certificate and the supporting administrative files. An individual or a corporation can file an exception for lack of a legal obligation when the court decision being enforced was issued against a third party.

Article 232. Provisional Payment of Overdue Taxes

The administration can demand that taxpayers who have failed to file tax statements during one or more periods file the omitted statements and pay the overdue taxes within 10 days. The administration can also ex officio estimate the amount of overdue tax.

If the taxpayer fails to file the omitted statements and make the required payments within the above deadline, the administration—through the Treasury Attorney—will proceed immediately to seek a writ of execution to demand payment of an amount resulting from multiplying the one corresponding to the latest liquidated fiscal period by the number of periods during which no statements were filed. This provisional payment will ultimately be deducted from the final tax amount.

If the taxpayer had not filed any statement for previous periods and the administration has not estimated the tax amount, the taxpayer will have to pay an amount resulting from adding 10 percent of his income during the calendar months preceding the dates in which the tax statements were to be filed.

Chapter X—Administrative Petitions and Appeals in Tax-Related Cases

Article 233. System of Administrative Appeals

Actions and appeals established by the Constitution and the laws are the only ones that are applicable to tax related cases.

Petition for Reconsideration and Revision

Article 234. Petition for Reconsideration and Revision

A petition for reconsideration and revision can be filed within the peremptory term of 10 working days, which will be computed from the day following the one in which the contested resolution was served. The petition must be filed before the organization that issued the contested resolution, which must hand down a decision within 20 days. If additional measures are required to make a better decision, the 20-day period will be computed from the date in which these measures were implemented.

If the respective organization fails to hand down a decision on the petition within the above deadline, it will be understood that it has tacitly refused to reconsider its resolution. A petition for reconsideration, which must be filed prior to an administrative appeal, will prevent the enforcement of the contested resolution.

Appeals

Article 235. Appeals

An administrative appeal can be filed within the peremptory term of 10 working days against an express or tacit resolution handed down by the respective organization in response to a petition for reconsideration and revision.

The 10-day period will be computed from the day following the one on which the resolution was served or from the day of expiration of the deadline established for the respective organization to hand down its decision. The appeal will be filed before the organization that issued the resolution, but it will be heard by the Finance Ministry Tax Council, which must receive all related files within 48 hours. The appeal prevents the enforcement of the contested resolution.

The Finance Ministry Tax Council will hand down its decision on the appeal within 30 working days computed from the day following the one on which the appeal was filed.

If the Finance Ministry Tax Council deems it appropriate, it will approve and order the search for new evidence and additional measures that would help it make a better decision. In these cases, the deadline for handing down a decision will be computed from the date in which these measures were implemented.

The Tax Council may choose to confirm, modify, or revoke the contested resolution. If it fails to decide on the appeal within the established 30-day deadline, it will be automatically considered that the appeal has been turned down.

Article 236. Express Resolutions

If a resolution issued by the administration fully upholds the appeal of a taxpayer, all related administrative and court procedures will be discontinued.

If an express resolution partially upholds the appeal of a taxpayer, administrative and court procedures will continue only regarding those items that are still pending.

Jurisdictional Competence

Legal Action Against an Administrative Decision

Article 237. Legal Action Against an Administrative Decision

A legal administrative action can be filed before the Court of Audit against express or tacit Tax Council resolutions on an taxpayer's appeal.

The affected party must file the lawsuit before the Court of Audit within the peremptory term of 15 days from the date the express resolution was served or from the date of expiration of the deadline to issue the resolution, in the case of a tacit refusal.

The administration will be represented by a member of the Treasury Attorney's Office.

Chapter XI—Reports

Article 238. Reports

Reports charging taxpayers, responsible agents, or third parties with violating the provisions of this law must conform to the following requirements:

1) The report must be submitted in writing to the administration.

2) The written report must contain at least the following:

a) Full name, identity card number, and the private or commercial address of the person making the report;

b) Full name, trade name or pseudonym of the accused;

c) Private and commercial address of the accused; and,

d) A detailed description of the facts and circumstances that prompted the report. The person filing the report should neither classify the infraction nor suggest what sanctions should be applied since he is not involved in the investigative proceedings.

3) If the person reporting the infraction has documents proving the crime or any other documents justifying the denounced infraction, they should be attached to the written report.

The administration may reject or return the report without any further processing should the person submitting it fail to comply with the aforementioned requirements.

Article 239. Fines

Anyone reporting an violation of this law has the right to 30 percent of the fines applied and charged to the person guilty of the infraction. Any taxpayer or responsible agent who spontaneously admits having committed an infraction will also benefit from a 30 percent reduction of the fine he may be charged. The 30-percent reward or fine reduction will be applicable if the reported infraction has not surfaced during an ongoing inspection ordered by the administration or during related operations affecting other taxpayers who are already under investigation or who have already been denounced.

Chapter XII—Withholding and Collecting Agents

Article 240. Withholding and Collection Agents

Individuals performing public duties or who by reason of their activity, trade or profession take part in activities in which they withhold or collect taxes are hereby designated as withholding or collection agents.

Regulations will be established to define the specific terms and conditions for withholding or collecting each tax as well as specifying when the designated agents will start performing their duties.

Once the tax has been withheld or collected, the agent is solely responsible for it to the tax authority. If he fails to discharge his duties, he and the taxpayer will be held accountable unless evidence of force majeure is provided.

The administration will issue non-withholding certificates when the tax advance collected is higher than the overall amount collected during the previous year or when the taxpayer is exempted from paying taxes.

Chapter XIII—Binding Consultation

Article 241. Binding Consultation, Requisites

Any individual, personally and directly involved, can consult the administration on his right affecting a specific situation. The individual must clearly and precisely explain all elements of the consultation. He will also be able to express his opinion on the matter.

Article 242. Effects

The act of consultation does not suspend payment terms, nor does it authorize an individual to overlook his obligations.

Article 243. Resolution

The administration will issue a decision within 90 days. It may be contested at the administrative and judicial levels.

Article 244. Effects of the Resolution

The administration is required to apply the technical criteria specified in the resolution. Any changes must be made known to the interested party. Subsequent changes will only affect events occurring after such notification.

Obligations will be paid in the form of interest and charges, and only in cases when the administration does not produce a resolution by the established deadline and when the interested party acts within his rights. The only condition is that the consultation be presented at least 90 days before the deadline for fulfilling the obligation.

Article 245. Non-Binding Consultations

Consultations made without fulfilling the requisites established in Article 241 will be answered by the administration, but the decision will not be binding.

Chapter XIV—Rules for Interpreting and Integrating

Article 246. Regulation Interpretation

All known methods used in juridical sciences will be acceptable when interpreting the true meaning of the regulations.

Article 247. Source Interpretation

When a regulation refers to situations already contemplated by other juridical branches, without explicitly referring or changing the concepts established by them, the administration will accept the interpretation closest to that considered by the law when creating the tax.

Juridical methods used by private citizens will not influence the interpretation by the administration, which will handle these situations and acts in accordance with the facts whenever the analysis of the regulation suggests that the source was defined according to reality and not according to the juridical form.

Article 248. Analogous Interpretations

For situations not contemplated in the general regulations or in specific regulations on each tax, the administration will use the interpretation used in similar regulations, the general principles of the tax code, and other juridical branches discussing similar subjects. The administration will, when in doubt, implement the interpretation most favorable to the taxpayer.

Article 249. Counting of Deadlines

Deadlines given in days will be counted on the basis of working days only. The administration will count as working days those Saturdays it opens to the public. Public holidays will not be counted.

Chapter XV—General Regulations

Tax Collection

Article 250. Tax Collection

What is collected in terms of taxes, fines, surcharges, and interest rates will be deposited in legally established bank accounts.

Article 251. Jurisdiction

All legal proceedings raised against the Finance Ministry revenue administration or undertaken by the Finance Ministry revenue administration must be handled before competent national courts.

Article 252. Revenue Administration

References in this law to the administration or the revenue administration signify the Finance Ministry Revenue Under Secretary.

Tax Enforcement and Abolishment

Article 253. Enforcement of Tax Regulations

The norms that regulate this law will go into affect on 1 January 1992 and must be published in four dailies with large circulations.

The executive branch is empowered to suspend some or all of the taxes established by the present law during 1992.

Article 254. Specific Repeals

The enforcement of the current law as established in the previous article, will result in the repeal of the following legal measures:

1) Law No. 1462 issued on 18 July 1935; Article 3, Clause E;

2) Law No. 8723 issued on 8 September 1941, Article 4;

3) Decree Law No. 8859 issued on 17 September 1941 and its amendments;

4) Decree Law No. 16670 issued on 22 January 1943;

5) Decree Law No. 9240 issued on 29 December 1949 and its amendments;

6) Decree Law No. 5 issued on 12 January 1952 and its amendments and supplementary measures;

7) All tax laws included in Decree Law No. 51 issued on 24 December 1952 and all supplementary measures, except those dealing with registries;

8) Decree Law No. 59 issued on 5 February 1953 and its amendments;

9) Decree Law No. 69 issued on 6 March 1953 and its amendments;

10) Decree Law No. 11 issued on 22 December 1953 and its amendments;

11) Decree Law No. 130 issued on 21 March 1957, Article 2, Note 8;

12) Decree Law No. 315 issued on 22 March 1962;

13) Law No. 1006 issued on 19 January 1965;

14) Law No. 1003 issued on 18 December 1964 and its amendments;

15) Decree Law No. 449 issued on 29 March 1967;

16) Law No. 39 issued on 18 December 1968;

17) Law No. 40 issued on 17 December 1968;

18) Law No. 69 issued on 26 December 1968 and its amendments;

19) Law No. 70 issued on 26 December 1968;

20) Law No. 248 issued on 7 April 1971;

21) Law No. 344 issued on 22 December 1971;

22) Law No. 340 issued on 12 January 1972, Articles 89 through 93 inclusive;

23) Decree Law No. 46 issued on 11 February 1972, Paragraph 44, Article 13;

24) Law No. 706 issued 8 August 1978;

25) Law No. 622 issued on 31 January 1977;

26) Law No. 793 issued on 20 December 1979;

27) Law No. 831 issued on 25 November 1980, Article 8;

28) Law No. 904 issued on 18 December 1981, Article 52, Clause B;

29) Law No. 1035 issued on 19 December 1983;

30) Law No. 1289 issued on 18 December 1987, Article 17;

31) Law No. 1356 issued on 19 December 1988, Article 1, No. 6;

32) Law No. 48 issued on 27 December 1989;

33) Decree Law No. 2 issued on 9 January 1990;

34) Law No. 90 issued on 11 December 1991;

35) Law No. 99 issued on 16 December 1991, Article 7.

All regulations that contradict this law will also be repealed.

The executive branch is empowered to suspend or repeal all or some of the already mentioned regulations during 1992.

Article 255. Abrogation of General and Specific Exemptions

Laws granting general or specific exemptions on internal taxes, custom duties, or port taxes are abrogated as of the date this law becomes effective. Items mentioned in Law 60/90 of 26 March 1991, those that specifically refer to the establishment of the legal status of hydrocarbons, those mentioned in specific public work laws, those contemplated in international agreements or treaties, and items contemplated in this law are excepted.

Article 256. Validity of General Regulations

General regulations will become effective the day this law is published. On that date all laws that contradict these regulations and the laws regulating the same institutes will become abrogated.

Article 257. Validity of the Current System of Deadlines

The deadlines for presenting petitions or actions contemplated in this law will be those current at the moment it was established if the counting began before this law entered into effect.

Article 258. Effect of Formal and Procedural Regulations

The regulations of this law will prevail over those of previous laws in aspects affecting courts and their jurisdiction, the presentation of proof and other formalities, and on tax payments pending on the date this law entered into effect.

Deadlines that were set before this law became effective, or proceedings or steps that had already been initiated will be ruled under the law in effect when the proceeding was initiated.

Article 259. Proscriptions Prior to This Law

Proscriptions that began under the previous law, or those that did not complete the legal period, will be ruled under the previous law.

Article 260. Surcharges on Overdue Payments

The regulations established in this law on surcharges on overdue payments will only be applied on the tax obligations that must be fulfilled after this law became effective.

Article 261. Fiscal Lotteries and Drawings

The Finance Ministry is empowered to implement a fiscal lottery system with regular drawings, on invoices or other billing notes, in an attempt to encourage final consumers to demand the issuance of correct fiscal invoices etc.

The Finance Ministry will issue the administrative measures and regulations for the operation of the fiscal lottery system.

Book VI—Special Regulations on Delinquent Tax Debts

Single Title—Payment of Delinquent Tax Debts

Article 262.

An exceptional system for collecting delinquent tax debts is hereby established. The system will be administered by the revenues under secretariat, it will be in effect until 30 June 1992, and it will follow the forms, deadlines, and conditions established under the following regulations.

Article 263.

This special regulation includes:

a) Tax debts on which the deadline for payment fell due before 30 November 1991. This does not include deadlines

for the payment of taxes before that date, or in cases in which resolutions are pending because the evasion was reported or discovered and where the taxpayer was duly notified.

b) Goods and taxes, as part of increased capital assets and taxable incomes, that were not reported at the end of the fiscal year immediately prior to 30 November 1991.

c) The amounts set aside for withholdings or tax payments but which were not paid to the state before the deadline which fell due prior to 30 November 1991.

d) Duties not paid on goods introduced into the country before 1 November 1991 and on imported goods which, prior to that date, were registered at the Custom Office but on which the corresponding taxes were not paid by the date this law is promulgated.

The following are excluded:

1) Imported goods deposited in fiscalized private warehouses, goods that are under the status of temporary admission or in transit, goods reported for custom violations, and goods that are considered abandoned according to present laws.

2) Products that are not allowed to be imported.

3) Cars.

4) Medicinal products.

Article 264.

Those who take advantage of this system will not be required to register the origin of the funds used, or the circumstances under which they purchased the reported goods.

The administration will be empowered to verify the existence of the reported goods and to evaluate their value. The administration is empowered to contest or modify this evaluation, which will not exceed market sale values at the time the owner makes his sworn testimony.

Reported national or foreign currencies must be deposited in a local bank or financial institution as contemplated in Law 417/73 or in accounts in foreign branches as authorized by the administration.

Article 265.

The taxes to be paid will be classified in the following categories:

a) When the tax infringement is related to:

1) Merchandise brought into the country for sale will be charged at 4 percent of its value.

2) Fixed asset goods of national or foreign origin will be charged at 1 percent.

3) Spare parts for stock will be charged at 3 percent.

4) Tractors, agricultural machinery, and their accessories will be charged at 1 percent.

5) Nationally produced merchandise, raw materials, and inputs will be charged at 3 percent.

b) Other unfulfilled tax obligations not included in a) will be rated individually according to the applicable rules and at a reduction of 80 percent.

When a single operation creates obligations for different taxes, the total sum of the paid taxes in accordance with the previous paragraph will not be higher than 6 percent of the value of the undeclared taxable amount.

The taxes paid in the categories a) and b) will be considered final payment for tax obligations defined before the terms established in Article 263.

Once the taxes on the above categories are paid, no further payments will be made on taxes or penalties related to customs duties, surcharge on exchange rates, stamped forms and stamps (Law 1003/64), income tax (Decree Law 9240/49), the tax on specific economic organizations (Law 70/68), Law 48/89 Single Tax, Law 487/84 Custom Value Service, or other national taxes on imports, purchases, property ownership, circulation or registration of goods, duties on capital, money, profits, credits, reserves, or other operations.

Withholding or collection agents will have no right to the benefits established in this article. They can pay the full amount of the debt in six equal monthly payments without interest or fines.

The taxes paid in relation to categories a) and b) will be exempted from surcharges, interests, fines, or any other sanctions.

Article 266.

Those who pay their overdue taxes in accordance with the preceding article, with the exception of the government's tax collection agents, can pay their taxes in six equal and consecutive monthly installments following an initial payment of 20 percent of the total debt. The installments will carry a monthly surcharge of 3 percent on the debt's balance.

Those paying in cash will enjoy an additional 20 percent discount from the tax.

Article 267.

The overdue taxes paid under the current law will not be accepted as deductible taxes on an income tax estimation.

Article 268.

The regulation will establish the criteria for appraising the merchandise, goods, and duties subjected to the payment of overdue taxes, or the formalities, deadlines,

and other conditions under the provisions of this article. The administration can also extend the term established under a) and b) of Article 262 in which the number of installments can be increased by 20 percent and the interest rate can be reduced by 20 percent on every extended month. In both cases they will be applied to the equal installments and percentages established in Article 265.

Article 269.

To communicate this to the executive branch.

Approved by the Honorable Chamber of Deputies on 28 December 1991 and by the Honorable Senate, passed as a law in accordance with Article 161 of the National Constitution, on 30 December 1991.

Jose A. Moreno Rufinelli, President, Honorable Chamber of Deputies

Gustavo Diaz de Vivar, President, Honorable Senate

Luis Guanes Gondra, Congressional Secretary

Artemio Vera, Congressional Secretary

Asuncion, this day of 199 [as published]

Taken as a law of the Republic, published and inscribed in the Official Register.

President of the Republic,

Andres Rodriguez

Juan Jose Diaz Perez,

Finance Minister